SMALL BUSINESS: OBSTACLES TO EXPORTING

HEARING

BEFORE THE

SUBCOMMITTEE ON EXPORTS, TOURISM, AND SPECIAL PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

WASHINGTON, DC, OCTOBER 4, 1988

Printed for the use of the Committee on Small Business

Serial No. 100–76

U.S. GOVERNMENT PRINTING OFFICE
91-715 ⇆ WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H721-25

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SMALL BUSINESS: OBSTACLES TO EXPORTING

TUESDAY, OCTOBER 4, 1988

House of Representatives,
Subcommittee on Exports, Tourism,
and Special Problems,
Committee on Small Business,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:05 a.m., in room 2359-A, Rayburn House Office Building, Hon. Norman Sisisky (chairman of the subcommittee) presiding.

Members present: Chairman Sisisky; Representatives Ireland and Slaughter.

Chairman Sisisky. The subcommittee will come to order.

I want to welcome everyone here this morning.

Today's hearing concerns an issue that is of particular importance to this subcommittee: The obstacles that small businesses are having in exporting.

Before we begin, I would like to thank all of my colleagues on the subcommittee for their participation, especially the ranking minority member, Mr. Ireland. I also want to thank our distinguished panels of witnesses who have agreed to testify today.

Recent published reports have indicated that we are currently in an export boom. Although the latest figures are showing that the trade deficit is declining and the U.S. dollar abroad is also declining, small businesses are not participating in this boom. Only a small proportion of those small businesses that could export are actually exporting. Our witnesses will give more details in their testimony on the actual number of small businesses that are exporting.

The subcommittee's goal today will be to identify the obstacles small businesses are having in exporting and to determine how to remove these obstacles.

This hearing will be the first of many hearings that will explore why small businesses are not exporting and why some of those that do try to export are not successful. Additional hearings will be held during the next Congress to further explore this issue.

Our focus today will be on some of the most common obstacles that small businesses have stated that they are having: Lack of outreach to those that are capable of exporting, excessive documentation and red tape that discourages them from exporting, insufficient export financing options, insufficient marketing information, and unfair foreign competition. Hopefully, our witnesses will give some insights as to whether these obstacles are only perceived or real for small businesses.

In discussing these obstacles, we will review various Federal programs that are available and determine if small businesses are aware of these programs and are using them. We will review whether these programs are properly administered and whether they are responding to the needs of small businesses. Additionally, hopefully, we will discuss whether these programs are being coordinated properly with State and local programs. We are fortunate to have witnesses who are experienced and very knowledgeable about exporting and small businesses.

We have asked representatives from three Federal Government agencies, the Small Business Administration, the Department of Commerce, and the Export-Import Bank, to testify. We have asked them to discuss their programs to assist small businesses in exporting and the effectiveness of these programs.

Various representatives from trade associations and small businesses will also testify. These witnesses will give us their views on the obstacles to successful exporting among small businesses, and what can be done to help. They will also give us their opinion on the usefulness of the various Federal programs discussed today and suggestions now how to make these programs better.

We hope that today's hearing will be an open exchange of ideas to make exporting more successful and will help to increase exporting opportunities for small businesses.

Mr. Ireland, do you have a statement?

Mr. IRELAND. Thank you, Mr. Chairman. I only wish to underline what you have said, and that is, that small business exports are clearly one of the keys to the future economic health of the United States. I think it is vitally important that the Congress play a role, and your selection of witnesses as well as holding this hearing and future hearings is an indication that we are on the right track, and I look forward to participating.

Chairman SISISKY. Thank you. Our first panel of witnesses, Mr. Richard L. Barovick, International Business Affairs Corp., and they publish the Washington Export Letter; Mr. Tom Watson, Chairman of the Industry Sector Advisory Committee of the Department of Commerce; Mr. William H. Hohenstein, president, Logos Corp.; Mr. John Rennie, president and CEO, Pacer Systems, Inc., Small Business United; and Mr. Guy F. Tazzoli, president of the World Trade Centers Association. If you will come to the witness table, please. We welcome you all here today.

Mr. Barovick, we welcome you this morning. You may go through your whole text or you may just summarize.

Mr. BAROVICK. I was told I would have 5 minutes, so I will ad lib, and I have given my text in.

Chairman SISISKY. Without any objection, your full text will be put into the record. All of you, it will be the same. Just proceed.

TESTIMONY OF RICHARD L. BAROVICK, INTERNATIONAL BUSINESS AFFAIRS CORP., PUBLISHER, WASHINGTON EXPORT LETTER

Mr. BAROVICK. Our company is in the publishing and information services business, and one of our products, started 6 months ago, is Washington Export Letter, which is designed for a small business export readership. One other relevant activity that we do, we serve as the executive of the National Federation of Export Associations, which represents the export management company industry in the United States, and we have a grant from the Economic Development Administration to matchmake; that is, to introduce our exporter members, all of them small companies, to smaller manufacturers around the country so that the professional exporters can handle the exporting activities of the small manufacturers.

I would like to comment on two broad issues. One of them is the role of the SBA at this time of expanding exports, and the other is to suggest to your own committee, since you took the leadership in developing the statutory basis for the Eximbank's small business activity, just a couple of other issues that you might want to look into.

On SBA, clearly SBA is in a more active mode in export expansion. The Office of International Trade has seen a dramatic increase in its staff and in the level of its activity, and the omnibus trade law which passed in August has a small business title, which I know your committee was very responsible for, and that provides some new elements of activity and authority for SBA.

I wanted to touch on just three activities that are very important to small business and to suggest what SBA's activity might be in those fields. It is already involved in all three.

First is export finance. A great deal has been written and said over the past 2 years about the withdrawal from export finance of the U.S. banking community. On the one hand, it is obvious that the large money center banks in New York, with one or possibly two exceptions, have pulled back very sharply. They have closed their trade finance units or they have shrunk them down to next to nothing. It is also true that a number of regional banks, including some very, very large ones, have withdrawn from export finance. They still do letters of credit but they don't actually extend loans. Even with Eximbank guarantees or FCIA insurance behind them, they don't even do that.

On the other hand, we publish another newsletter on export finance, and I, personally, I talk to banks all over the country a good deal of each week of my life, and I find that there is a reverse course. There are some regional banks that have stayed in it. I was in Boston in August, and visited five banks there. Some of them are very active, and they are active in the small business community. I mention a couple of them in my written testimony. BayBanks and Multibank International, for example, specialize in the small and mid-size companies and they are quite active in export finance.

Some regional banks are using export finance as a strategic marketing tool in their expansion interstate. There is a bank in Birmingham, AL—SouthTrust—which is just moving into five other States, and it is using export finance as a method of penetrating the market in the new States in which it is operating. So there is a positive side to it as well.

I think in examining its role that SBA can easily look to two models. One of them is, obviously, the Export-Import Bank, whose Working Capital Guarantee Program provides short-term finance so that a small exporter can purchase the products or the components or parts to assemble for exports can be financed through a local bank. That program is the hottest facility in Washington. Its usage is up enormously. It will do—somebody from Exim will testify later that it will do at least $110-$115 million worth of business this year, and it shows what one institution, if it has an interest in doing so, with only a single office in Washington, DC, can do to work with banks and exporters in about 35 States in promoting small business exports.

The other model that SBA might look at is the State and local governments. Today, about 15 State governments and just a few city governments have export finance programs, and about another 10 States are at an early stage of developing such programs. There are two models in the States, and that suggests to me the two roles that SBA could pursue. The one model is to actually get into export finance, to assume some risk and to be involved in a specific export finance transaction. I would mention the State of California, which is probably the leading one at this time in that field. The California Export Finance Office provides working capital financing, short-term—let's say up to 1 year—in which the State government assumes the domestic risk; that is, covers the risk of the exporter falling on his face on the way to the pier, and not getting the products overseas, and the Foreign Credit Insurance Association, the Eximbank export credit insurance arm, usually picks up the overseas' risk, the possibility of nonpayment by the foreign buyer. That combination has worked well. All of the exporters covered by it and assisted by it are small companies. About a third of them are export trading companies—not manufacturers, but trading companies that buy the products and then resell them.

That is one model that is being imitated around the country, and the number of States coming onstream with this kind of a program is a monthly occasion. Arkansas and New Jersey, for example, within the past 3 months have launched export finance programs of this kind.

The second role can be found in the State of Washington, where the Export Assistance Center of Washington and Seattle does not get itself involved in taking risks or having a financial role in an export transaction. Instead, its role is more purely supportive. It educates the exporter, trains him. It shops the local banks, looking for a bank that would participate in the financing required. It packages the financing, so to speak; that is, it would bring together Federal resources and private resources to put up the financial package. It fills out and helps the exporter fill out the application to apply to Eximbank. Also, it works closely with and knows the banks in the State of Washington. So it has an advisory and a supportive role without taking the risks of export finance itself.

It seems to me those two models are available to SBA in its own pursuit of an expanded role for itself in the export finance field.

I talked with a banker a few days ago about the issue, and he said;

> I think that SBA's guaranty authority is a valuable tool, but you know I think it would be even more helpful if SBA developed the role of helping the small exporter process the loan application.

Now there are consultants around the country that provide this service, of course. There is one bank—there is a bank in New York which is an Italian bank, Banca Nazionale del Lavoro—it is the largest bank in Italy—and, ironically, this bank focuses on small business exports. The man who runs it, the VP-trade finance, in New York, Al Daiboch, who had been at Bankers Trust for many years as sort of the product manager for their Eximbank-FCIA activity, he spends 100 percent of his time working with small business exports, and he makes the difference by two things: One, he knows the programs of Eximbank-FCIA quite well; but, second, he charges a consulting fee to the small exporter to process the application to the Eximbank. So he is doing the two roles, the consulting, which the bank gets a fee for, and the financing, for which the bank gets its interest.

Anyway, I think that those two roles are something SBA could focus on. I don't want to take up too much more time. Let me just go on to the two other issues.

One is the use of trading intermediaries, export trading companies and export management companies. Here I have a personal involvement with a group of a few hundred small export management and trading companies around the country. I think that SBA—and this is authorized in the small business title of the trade law that just passed—SBA could develop a role in publicizing the contributions, the value of trading intermediaries; and, second, it could matchmake. It could simply help to introduce small companies that manufacture exportable products or have exportable technologies, and introduce them to trading intermediaries.

The Commerce Department does this now. Its Office of Export Trading Company Affairs promotes the use of all kinds of trading intermediaries, and it has a data base, which it makes available to the State governments, of trading companies throughout the country. It provides free of charge a computer disk with its own data base on it. The State governments can use that for their own purpose.

The National Federation, with which I am associated, which has the EDA grant, is also developing its own data base. We can make that available.

The third subject is export information. The SBA has in recent weeks or recent months put out some very good publications. Its Guide to Federal Export Resources I thought was a first-class product, a directory. Small business has great difficulty threading its way through the Federal programs, and that is a big help in knowing one's way around.

I would suggest, however, that SBA's real contribution is to be a marketer, or a distributor of information that other people have created, and not to recreate the Commerce Department at SBA. State governments and the Commerce Department and private sources as well have information which SBA with its huge outreach could effectively distribute.

I will just close with 1 minute on a couple of issues which your committee might want to focus on and which would be awfully helpful to small business exporters. One of the main problems which you will hear about is the lack of resources in the Federal Government being allocated to small business exports. The Eximbank, which does an outstanding job with its working capital guarantees, is burdened with an inadequate administrative budget, and without a proper administrative budget, the small business applicants for its services are going to find a backlog and a slowdown.

The changing policy of Eximbank opened the door to small business exports. It is a long story and somebody else I am sure will comment on it. But helping to somehow support within Congress the Exim's administrative budget and the Commerce Department's budget would mean a lot. The Commerce Department, at least at one time—I haven't spoken with them about it recently—didn't have the funds at the district offices around the country to subscribe to the local newspapers. The staff had to do it all on its own. Being in the newsletter business, I naturally am aware of that.

One last subject is the tax treatment of exports. The 1986 Tax Reform Act reduced the profitability of the tax treatment of interest income for export finance by banks. It is an issue which surfaced this year. Bills were introduced in the Senate and the House, but nonetheless nothing happened. Next year it will be back on the table. It is an issue that your subcommittee might want to look at. Thank you. I appreciate the chance to be able to meet with you.

Chairman Sisisky. Thank you very much.

[Mr. Barovick's statement may be found in the appendix.]

Chairman Sisisky. Mr. Watson, you are next on my list.

TESTIMONY OF TOM WATSON, CHAIRMAN, INDUSTRY SECTOR ADVISORY COMMITTEE, DEPARTMENT OF COMMERCE

Mr. Watson. Good morning, Mr. Chairman, other members of the committee. I thank you for the opportunity to be here this morning. I am here at, for me, the last minute. I got on a plane late last night, wrote this testimony on a lap computer on the plane, came back into the office to print it, discovered that even though our computers in the office worked the copy machine did not, so I have a single copy that I hope we can reproduce at some later time.

I want to start off by giving you a little bit of a sense of who I am, so you have an understanding of where these comments, these thoughts, are coming from.

I currently serve as chair of the Industry Sector Advisory Committee for Small and Minority Business, ISAC 14, which is the small business advisory committee for the U.S. Department of Commerce and the U.S. Trade Representative on trade policy issues. In 1986, I was the Commissioner for International Trade with the White House Conference on Small Business. I am a member of the American Institute of Certified Public Accountants' International Practice Committee. I have chaired the Small Business Development Committee of the American Institute of Certified Public Accountants.

I wrote the piece in the Republican National Committee's Small Business Advisory Council that addresses international trade. As many of you may know we, at the Small Business Advisory Council, published a document. It was the Small Business Recommendations for the party, and I wrote the trade section of that document.

I have been involved in international trade both as a practitioner—I am a CPA—and in advising exporters and importers and those who have invested overseas, for a number of years. The comments that I am about to make came from somewhere in the neighborhood of 40,000 to 50,000 small business owners and managers around the United States and foreign companies doing business with us in the United States.

It is my opinion that there are fairly specific things that are important to the small business community. They are, however, not specific to the Small Business Administration, and I hope you bear with me for a few minutes on that viewpoint. It is my view that you and your colleagues in the Senate must develop and strengthen working relationships with other committees and those who affect other budgets, particularly in the Department of Commerce, the office of the U.S. Trade Representative, the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Agency for International Development, where much of the activity is going on that affects small business importers and exporters in the United States.

In my view, there are three major bodies that affect small business trade activity in the Federal Government. They are:

The Small Business Administration: The role of the Small Business Administration, if we are to best use its resources, is to provide access for the Federal Government to the small business community and for small businesses to the Federal Government. SBA can access small business better than any other Federal agency.

The second of those is the International Trade Administration within the Department of Commerce. The International Trade Administration does not know much about small business, even though the ISAC has been trying to advise them for years. It does not respond well to small business, with the specific exception of Helen Burroughs, the small business liaison, who is very responsive. But ITA is set up to provide the technical assistance and support for export and import. We don't need—as the gentleman just said, we don't need to duplicate what is in ITA. We just need to find a way to make it responsive to small business.

The third is the U.S. Trade Representative's Office. The U.S. Trade Representative has the sole responsibility for negotiating and developing trade policy for this country. The USTR is no more responsive to small business than ITA is. But there is a way to combine the forces of those three Government entities and through effective congressional oversight, bring the three together.

The issue with trade policy development is that it is a very slow, laborious, and detailed process. As you know, most small business owners are accustomed to organizations that they can influence, where they get a quick reaction and they can make an effective decision. There must be, though, a way to move all of those organizations more to the front, more sharply focused on small business. I think I have some ideas that I hope you will consider.

The first of those—and there are four. The first of those is substantial and continual support for one of the recommendations that came out of the White House Conference on Small Business, the Advisory Council activity and the activity in the European Economic Community. It is now being called "Export '89: An American-European Small Business Trade Congress." It is scheduled to be in Frankfurt, Germany, in October 1989. The U.S. Department of Commerce, Secretary Verity, has endorsed the concept. He has involved the Department of Commerce in providing staff support and coordination for this event. It is cosponsored by the U.S. small business community. On the other side of the ocean we have the Commissioner for Small Business in the European Community and the small business community in Europe who are working hand in hand with this American group to put Export '89 together.

The conference has a twofold purpose: One is to discuss trade issues and come up with recommendations in a form similar to the White House Conference on Small Business. But these recommendations are aimed at the GATT negotiators so that there will be some comprehensive small business input into the negotiations in the new round of GATT talks that are going on right now. We hope that this effect will ripple back to activities and policies that are set by the participating governments. The governments of the participating small businesses in Export '89.

The other is to exchange information and open the European market to American small business. The Europeans have invited us to participate. They have said that in exchange for our understanding of how small business can operate in a large internal market they are willing to provide, through their small businesses, access to the European market now and after it is consolidated in 1992. I think that is a tremendous opportunity for small business in the United States. We need to make sure that no matter what happens in the Presidential elections, no matter what is happening now in political circles, the support for this program, this concept, this idea, cannot soften, cannot weaken in the Federal Government.

The second is making sure that we have an effective small business advocate in the Department of Commerce in the International Trade Administration. We now have a small business liaison who is many layers down in the bureaucracy. What we need is a policy level executive within ITA, either at the Assistant Secretary or the Deputy Assistant Secretary level, who has small business in their portfolio, who is accountable for serving small business. That is very important in turning the responsiveness of the International Trade Administration of the Department of Commerce to where it should be.

The third of those is a similar recommendation with the U.S. Trade Representative. We have somewhere in the neighborhood of 100 professionals who are working in the Office of the U.S. Trade Representative, setting and negotiating trade policy for this Nation. None of them are experienced small business owner-managers. Now, when you talk to USTR and you talk with Ambassador Clayton Yeutter about how he gets advice from small business he will point you to ISAC 14, the ISAC that I chair, and he will say that we give him advice and counsel. Certainly that is true, but occasional advice from volunteer advisers, is not the same as having somebody who knows small business on the staff in a key role influencing the negotiations. That is very important. That must be done.

Number four is common sense for me but doesn't seem to be as widely understood as it should be. What we are trying to do now in the United States is develop new markets for our products. One of the ways we are doing that is through the international contracts that we issue through, primarily through the U.S. Agency for

International Development, but also from the U.S. Department of Agriculture and others. What we need to do is say to those agencies that in spite of your perception of the way developing nations should be served, we understand that small business, and particularly small businesses owned by ethnic minorities, must be in the forefront offering the services and products that we provide in developing nations.

The reason for that is fairly simple. When we are talking about trying to communicate with nations that have cultures different from ours, we need a way to communicate and bridge the gap of communication between us and them. We have in this Nation people who every day bridge the gap between one culture and another. Black Americans, Hispanic Americans, Asian Americans live in a community that is different from the business community that we do business in every day. As a natural outgrowth of our experience, we have a talent that ought to be capitalized on in developing new markets for the businesses in the United States. The other side of that is we have said that if we want to make the world a comfortable place to live for all of us, we want to persuade people of the value of democracy and the value of freedom. How better can you do that than by demonstrating firsthand what has happened in a democratic environment, in a free environment that has allowed ethnic minorities, in some cases who came from the countries that we are now trying to serve, has allowed us to develop, to represent this country, and to manage businesses of size and substance.

Those are the four recommendations that I have. I understand fairly clearly that for those to happen we must develop support and coordination not only throughout the important congressional committees, including this one, but also throughout the small business community and throughout the Federal bureaucracy. But I am confident that together we have the understanding, the capability and the talent, and certainly the fortitude and perseverance, to be able to make it better for all of us. Thank you, Mr. Chairman.

Chairman SISISKY. We thank you very much, Mr. Watson.

[Mr. Watson's statement may be found in the appendix.]

Chairman SISISKY. Mr. William H. Hohenstein?

Mr. HOHENSTEIN. Good morning.

Chairman SISISKY. Good morning.

TESTIMONY OF WILLIAM H. HOHENSTEIN, PRESIDENT, LOGOS CORP.

Mr. HOHENSTEIN. Mr. Chairman, and members of the Subcommittee on Exports, Tourism, and Special Problems, I would like to thank all of you for the opportunity to appear here today and testify as president and CEO of Logos Corp.

I have been asked to testify on factors that may be preventing small businesses from participating in the export growth experienced by the major multinational corporations. The experiences of Logos Corp. are uniquely applicable to this question for the following reasons. Headquartered in Dedham, MA, Logos develops and markets artificial-intelligence-based computer software that automatically and intelligently translates documents into foreign languages. For example, our system could take the testimony being presented today and translate automatically and intelligently into German, French, Spanish, or Italian.

The first Logos packaged was introduced in 1983 in Western Europe, in Germany, and it translated German documents into English. Therefore, despite our U.S. origins Logos was an exporter from its very beginnings since the primary market for German-English translation is in West Germany. Logos has broad experience as a small business exporter to Germany and Western Europe. Therefore Logos had an acute sensitivity to business export issues, since the sale of our product is critically dependent upon them. We have done extensive market research over the years on export patterns among countries separated by language, as well as geography, since these patterns guide our marketing and product development decisions. It is from these viewpoints that I draw my conclusion that the export situation in the United States is nothing less than tragic. I say this because it is a tragedy that is clearly preventable.

While many of my concerns are as valid for large multinational corporations as they are for small businesses, they have particular relevance for the latter since small companies lack the resources to surmount the problems on their own. Why tragic? Logos sells a product that solves a problem many foreign governments view as strategic: Communication in nonnative languages. We have been approached and in several cases had our development funded by foreign governments of Belgium, Canada, Switzerland, and Italy, and have had no funding from the U.S. Government.

In the case of Belgium, it was a national priority for them to partially fund the accelerated development of our German-French language pair. The Canadian Government is currently in the second year of its pilot program at the Canadian Secretary of State. We are discussing a substantial government-funded language pair development program with them. We have formed a consortium in Italy that also relies partially on government funding. I point these cases out because they illustrate the seriousness with which other countries deal with export issues, and naturally we at Logos feel that native language communication is a fundamental major export issue.

By contrast, the Export Now brochure, published by the Department of Commerce, never mentions translation. It is assumed, I gather, that once the U.S. bureaucratic hurdles are overcome customers in other countries will rush to buy U.S. products despite their English language presentation. This is a very naive view. Repeated phone calls to the various agencies mentioned in the brochure elicited nothing more than "That's an excellent idea. Maybe we ought to think about that."

The tragedy exemplified by the above is one of attitude. We, in the United States, have over the years adopted a posture of arrogant superiority toward other trading nations, an attitude that persists even in the governmental bodies responsible for improving the U.S. balance of trade. We think of English as a universal language. It is not. If anything, it is a universal second language.

While some lip service is paid toward understanding cultural differences, basic issues such as native language communication are being totally ignored. The attitude issue applies to large and small companies alike. Fortunately, large companies have the resources to spend many years penetrating a foreign market and the opportunity to rectify mistakes through trial and error. Small companies, on the other hand, will not export unless immediate and tangible financial benefits are realized. On the whole, they can't afford it. They cannot afford it.

It is a rare venture capitalist or private investor who has the funds or desire to invest considerable sums in a learning process that will not show immediate profitability. Foreign markets are perceived as riskier because less is known about market and competitive conditions; smaller, both individually and collectively; and expensive to enter in comparison to U.S. markets.

Backers of small companies—and I would like to expand the definition of small companies to core companies, because oftentimes these are the very high technology companies that are considered small but have so much strategic impact for this country. Backers of small companies usually decide that foreign initiatives are not worth the effort and expense. Most Government-sponsored efforts to increase exports have focused on removing bureaucratic and administrative barriers to foreign trade.

While, obviously, these efforts are necessary, experience has shown that they are not sufficient. Removing barriers is not enough to convince the small businessmen that the benefits of foreign trade will be worth the risk and expense. Programs must actively promote the benefits of foreign trade and then provide tangible, visible assistance to small companies unable to take these expensive, difficult first steps on their own. Future Government programs must address the business realities of exporting much more thoroughly than they have in the past before resource-constrained small businesses will participate in a meaningful way.

The business realities of exporting can be summarized under the headings of risk, market potential, and cost. To reduce risk, programs should provide extensive information about foreign markets. The more that is known, the less risky markets will be perceived. This is not export-import banking policies and letters of credit and trade, but understanding how do the Germans culturally differ from the United States, how do the Swiss differ. This is fundamental. From a private sector perspective, this is fundamental to understand how to compete in the market. Just as we have different cultural attitudes in our own country, these cultural attitudes are clearly definable and it is important to understand these when you are competing internationally.

Reduce the initial investment required to enter a foreign market. Once established most companies are able to explore profitably. Start-up costs are high enough, however, to create a significant barrier for the small company. Possible steps to reduce overseas start-up costs would include tax incentives or tangible Chamber-of-Commerce-type assistance in the foreign country. The latter might include low-cost incubator facilities, staffed with appropriate expertise, that can be drawn upon by the occupants. With a few successes, most fledgling operations would graduate to permanent facilities. The incubator would provide valuable breathing room during a company's first months overseas, smoothing the acclimation process and obviating the need for immediate investment in facilities or personnel.

Three, reduce mistakes and shorten the learning curve. Again, the shared experience of companies in the incubative facilities plus access to qualified resident specialists would reduce the number of mistakes made by companies entering a market and lowering overall risk.

The second area was market potential. Most small companies are now convinced that international markets are small relative to the effort required to service them. Changing this perspective requires continual education combined with proactive marketing of successful case studies. For example, the canton of Neuchatel, Switzerland, which was historically famous for Swiss watches before the advent of the Japanese, has hired U.S.-based, Swiss Government-sponsored sales representatives to visit and proactively sell U.S. companies on the benefits of locating in Switzerland. We have made an investment in Switzerland for that reason. If we—that is, the United States—are serious about stimulating small business participation in export markets, a similar program should be instituted in the United States to market the benefits of overseas trade.

For many executives of small businesses ignorance, pure ignorance of overseas opportunities coupled with pressing problems at home is easily sufficient to persuade them from implementing an active international sales effort. Proactive Government-sponsored marketing is the most effective way of convincing executives that they are missing an opportunity to increase market share, profitability, and cost.

The cost of a sales effort in almost every overseas market is substantially greater than the cost of a similar effort in the United States. In addition to the expense of travel to and from the United States, the cost of facilities, for example, in Japan, or personnel in Germany and Switzerland is often substantially greater. The most expedient way to offset these costs is to create tax incentives for foreign profits of small companies. Unlike the current alphabet soup of DIFC's, FSC's, CFC's, FPHC's, these incentives should be straightforward and easy to set up and administer. One must hire an expensive tax consultant to sort through this morass of bureaucracy. Small companies simply do not have the financial or management resources to surmount the administrative, legal, and accounting obstacles of pursuing the existing mechanisms.

In summary, tangible programs to reduce risk, demonstrate market potential, and low cost of overseas trade will bring meaningful participation by the small business sector. Without such programs, small, resource-constrained core U.S. companies will continue to perceive that the benefits of export are far outweighed by the costs. Thank you.

Chairman SISISKY. Thank you very much, Mr. Hohenstein.

Now we hear from Mr. John Rennie, who has promised the Chair he will not talk about the Boston Red Sox.

TESTIMONY OF JOHN RENNIE, PRESIDENT-CEO, PACER SYSTEMS, INC., SMALL BUSINESS UNITED

Mr. RENNIE. Thank you, Mr. Chairman. I am very pleased also to have the opportunity to testify today. My name is Jack Rennie, and I am the president, the chief executive officer, of Pacer Systems, which is an aerospace-defense-type contractor. We deliver hardware and professional technical services to customers, both Government and private sector, around the world.

I am also appearing here today on behalf of National Small Business United, a national organization of small businesses very concerned with the very issue that we are taking up today.

I have been involved in trade myself, with my own company, since 1977, and from probably almost the same amount of time as a promoter of small business exporting and a variety of different hats over the years. I wrote and edited a book specifically aimed at small business executives and getting into international trade, called Exportese, for the Small Business Foundation of America; and most recently I was a Commissioner on the National Commission on Jobs and Small Business and was a principal author of the international trade export promotion recommendation in their report, "Making America Work Again."

Because I understood this was the first of what will be a series of hearings extending into the next year, I went back and tried to hit some of what I think are the most basic elements of the problem here, and then we can get more specifically later on either today or in other hearings. Because of that I think you will hear me say a few things that you have already heard this morning, so I look at that as positive. We are reinforcing some very elementary and basic points that I think we have to understand before we start racing around, putting new programs in place or trying to generate new laws or regulations.

The first point in my testimony basically underlines the point of the hearing. The U.S. industrial export base, the international trade exporters, has been too concentrated for a long time. This was recognized long before the problems that we had in the mid-1980's when we developed a great trade deficit. Even in the late 1970's and early 1980's, there were studies in the Government and elsewhere that showed that we had, you know, something like 250 companies exporting 85 percent of our manufactures. This was alarming when it first came out, but didn't sufficiently alarm anyone until we got into the mid-1980's when some of these companies that we are now depending upon become less competitive. As a result, we suddenly took a big dive in our international trade balance, and we took it basically across almost every industrial sector. So this has been a problem we have had for a while. It just hasn't been maybe as critical as it seems now.

The second thing is that the expansion of this base is vital both to the U.S. economy in the future and the health and balance of it, but also to the small business sector itself. Because various studies and expectations show that that percent of our gross national product involved with international trade will probably increase something on the order of two-thirds, or 60-odd percent, between now and 1995. Currently it is on the order of, I think, 22 or 23 percent. It is supposed to go up to something like 35 percent.

If the small business sector does not participate in that growth in that part of the GNP, then our contribution to the overall economy will decline. As it declines, we will be hit by the imports even harder than we have been, and we will also, frankly, lose political clout, as we won't power the economy, as much of an engine as we have been in the past. So these are very important top level reasons why this is an appropriate subject to take up.

Then, in my testimony I have briefly discussed some important background themes, some of which have been touched on already this morning. First, international trade is not a high enough priority in this country. During the 15 months of hearings and studies that we commissioned during the National Commission exercise we kept coming back to this same theme. That we are the only advanced industrial Nation in the world without an equivalent of a Ministry of International Trade. Many people on the Commission literally wanted to make it our first priority. We felt that was a little bit overstating it, because we do feel that defense should be first. But I think that there would be a large support for the notion that trade and international trade and participating effectively in foreign markets should be right up there close to the second or third priority this country has if we are looking to the future.

The second point is that correcting this problem that we have that has developed over a long period of time is not a short-term exercise. We have to be patient. It will take a lot of different things to be done. There is no one panacea to solve the problem, and so we have to keep in mind that it is going to be long term. This was mentioned already, the idea that when we are looking at programs and the efficacy of programs and how effective they are, we have to look in the longer term. It can't be judged as to how much we are going to increase our exports next year. It has to be something where we put in place a system that will work for us over a long period.

Finally, and maybe with respect to the small business sector in a way most importantly, we have to realize that we are unique because our large, almost unicultural domestic market is a disincentive for exporting, and we are very unusual in that regard. This particular fact changes the whole decision that the CEO of a small business in the United States has when he or she is considering getting into trade. If one builds a business in West Germany or Spain, almost certainly—short of a small retail outfit—you build your business on a multinational market premise. Most American small businesses have started on a domestic market premise and very few of those countries have saturated the marketplace. Therefore, when a U.S. CEO starts looking at whether he/she should expand—the decision really is should I expand to Western Europe or should I expand to, say, Arizona, and guess what, Arizona wins most of the time.

That is what is really the difference between someone in Europe and here, and that is a very important underlying problem. Because now when we get to what I call in the testimony the stoppers to the would-be traders, first is lack of incentives. We simply don't have any incentives, meaningful incentives, for small business

CEO's to go overseas. When I approach small business CEO's and say, "I think you should get into exporting," the first thing they will say is, "Why?" and it is a very tough question to answer today.

Now we can convince them, sort of businessperson to businessperson, there are countercyclic hedges and various things like that that I term soft incentives. But, in terms of hard incentives, trying to get people to make that difficult decision to not go to Arizona but to go to Western Europe, we really have to work on that area. Basically, at this time we cannot convince most small business owners-CEO's to even try exporting, and so everything else, whatever programs we have in place, really doesn't matter because they are not opting to even look into it, most of them.

The second major point I make is the lack of education. Now when I say education here, I mean education about the whole international world, international transactions. Most of the small business CEO's lack any international exposure or experience in transactions. They also have an added perception, which is accurate, that if they get into a trade, a lot of the effort involved will fall in their own lap.

In a survey we did in the Smaller Business Association of New England of actual ongoing exporters, in 90 percent of those companies the CEO was the one responsible for international trade, and it was seldom further down than the number two guy in the company. So there is a perception that this is just an added burden on their work. So when you couple that with their lack of experience in international trade they simply do not understand all the things that are involved; and, as I will point out later, there is a positive side to that in the sense that there is an awful lot of help available that they don't know about either, and that is what I mean by broad education.

So we have to do everything that we can do, for people who are now beginning to, let's say, consider trade.

Finally is the lack of marketing data. We simply need to make more use of the U.S. and Foreign Commercial Service and other activities in both the public and private sector to actively disseminate the information. There is too much of a tendency for those agencies that do collect information to become repositories and not actually match up where companies are, and in a timely fashion get the information to them to make proposals.

Suppose despite the lack of incentives and information on the market a company for some reason wants to get into trade. We then come to what we kind of commonly talk about, barriers, and I divide the barriers into two sections. First, barriers in getting our goods and services offshore, and then barriers getting into foreign countries, what we more typically think of as the barriers to trade, either nontariff trade barriers or tariff trade barriers. I suggest in the testimony that the former, that is, getting the stuff offshore, is the more important to smaller businesses. I cite an example of my own case, in the case of the latter point, of trying to compete in Canada. Currently we are in an interesting situation. But, really, for most small businesses in my experience, if they ran into a real stopper in a particular country, that is, they found there was either a tariff or a nontariff barrier that was stopping them, they simply will go someplace else. They don't perceive that they can really solve that problem, and they don't have to have an absolute world market, so if they can't get into Peru, then they will go to Brazil or they will go to Western Europe. That is usually not the real thing that they come up against. It is really the various complexities, real and perceived, of getting the stuff offshore.

Now, with regard to the current programs and assessing the programs, I suggest in the testimony that the principal problem is not that we need more programs at the moment. I am sure the programs can be improved. There have been some good suggestions here this morning. I feel that we simply are not making adequate use of those things that are already in being. It is very important that when we get to the small business person that we dispel him or her of some of the perceived difficulties that really can easily be overcome by available assistance.

I was brought into trade by a very successful program run by the Smaller Business Association of New England and the Massachusetts Port Authority. In fact, it was used as a model for the Small Business Export Enhancement Act in the early 1980's. The really good thing about that program was that it had a series of focused briefings that introduced you to people that I had no idea even existed: International freight forwarders, people who were specialists in packaging, intercultural experts and language translators, international sections of banks, marine insurance groups. All of these exist, they are all there and most of the time a small business CEO can get assistance from them even if they haven't done business with them in the past. Much of it is free or very low cost, and then you have the whole array of programs in the Department of Commerce principally and others, you know, Eximbank and so forth, that are available. These are all totally unknown. Export Management Companies, a private sector group, were mentioned earlier.

In the same survey we took in SBANE, of the actively exporting companies, only 1 in 20 even knew of the existence of export management companies. Now, one of the easiest ways to get your feet wet in trade, would be to use an export management company. These people who were already in trade, let alone the people who weren't trading yet, didn't even know about them.

So I conclude with the idea, first, that the United States desperately needs to get small- and medium-size companies into trade. Second, the small business sector will be severely hurt if it does not become a bigger factor in trade in the next 5 or 10 years. Third, to get small businesses in we have to create real incentives. We have to actively promote the education idea and familiarize them with what is available, and we have to more easily and in a more timely fashion provide marketing information to the small business community. Once we have the companies interested, we have to minimize the obstacles of getting offshore and actively market available programs. I certainly agree that is a principal and key area that the Small Business Administration can help, is being a conduit to make the connection between those public and private sources that are of assistance and capable small business exporters. Thank you, Mr. Chairman.

Chairman SISISKY. Thank you very much, Mr. Rennie, and you did not talk about the Boston Red Sox, and I appreciate that.

[Mr. Rennie's statement may be found in the appendix.]

Chairman SISISKY. Mr. Tazzoli?

TESTIMONY OF GUY F. TAZZOLI, PRESIDENT, WORLD TRADE CENTERS ASSOCIATION

Mr. TAZZOLI. Mr. Chairman, members of the subcommittee, I stopped in Congressman Rangel's office this morning, and he made me promise I would talk about the Mets.

Chairman SISISKY. That is after the fact, so you can't get equal time. [Laughter.]

Mr. TAZZOLI. If I could just spend one moment on my background, and then you will understand, I hope, the suggestions that I make. I hope today in a few minutes to make some concrete suggestions to this committee that will have immediate effects in helping the small business community of the United States to increase their export both of products and services because, as I will try to say in the next few minutes, the small business community of the United States are your clients and our clients.

From 1960 to 1986, I was the director of world trade for the Port Authority of New York and New Jersey and was responsible for planning, construction, and operation of the World Trade Center of New York. In 1970, we formed a not-for-profit corporation in the State of Delaware called the World Trade Centers Association. It had a twofold reason for existence: One, to promote the concept of world trade centers on a worldwide basis, and two, to encourage a reciprocal program from one trade center to another, programs of information and communications, reciprocity and education, trade mission; in other words, to help each other do international business. That association is made up of not only 56 countries, it is the only organization in the world to which the People's Republic of China and Taiwan both belong. Russia is a member. There are no major cities in any portion of the globe that are not members of the WTCA.

Most importantly, and the reason that I am here, connected to the trade centers of the world today are more than 400,000 international business companies, either as tenants or members of their local trade association. I am here today, though, to represent the 50 United States members of the World Trade Centers Association. These are the members in 50 cities that are either planning, designing, or operating a world trade center.

The world trade center concept is a simple one. It is made up of two components. The one component, a physical facility to house the practitioners of world trade, that is not what I am here to talk about today. The second component is to provide to the community, the small business community primarily, in their respective cities and areas the services and information that they need to do their business more efficiently. Now we provide in each of these cities of the United States—and there are 50 today, and by the end of this year I will have 55, and I expect to have at least 75 to 100, in the next 2 years, members from the United States. Governor Thompson from Illinois said, "No city in the world can consider itself a major city if it does not have a world trade center," and he did that when he announced his Trade Center in Chicago as the first of a series that he will have in his major cities in that State.

Our trade centers provide services and information and communication and education. We have services in overseas contacts, and we are the only organization in the world that has a system called Network. To be on the Network system, all you need is a computer terminal, a modem, and a local telephone company; and, today, if you are on that system, the $24 a message, you can put a message of what you would like to buy and sell and that message can be read in less than 2 weeks by an audience of more than 3 million people. So you have a very easy and convenient way to reach to all the areas of the globe if you are a small businessman.

We did a survey for the United States Chamber of Commerce, and we will make that available to you, of all the trade centers of the United States. They addressed themselves to the same questions that you are addressing now. We found in that survey that information and communication along with many of the other things that the panelists have talked are some of the most important things that the small businessmen need: An easy way to get into international business, to be able to trade in the same way that they can trade from New York to Chicago or from the East Coast to the West Coast.

The Network system not only is a system of buying and selling, but it also allows people to communicate at approximately half the cost of telexes. It is really an electronic mail system and it exists today.

Now we have trade centers in 50 cities. You have SBA offices all over the country. I am suggesting today that your offices and our trade centers should come together, form an alliance. We will learn about our systems, not only of Network but our educational systems. Because we are—the trade centers are built for small businesses. The major multinational companies do not need a world trade center. They have worldwide offices of their own. But the trade center is exactly designed to fit the needs of the small business community.

I will give you a couple of specific examples. I have been working with Charlie Rangel for 10 years to create in Harlem a Harlem World Trade Center which will help the small minority business people who would like to be in international trade and try to take advantage of the natural affinity that exists between the black community of Harlem and the people of Africa and the Caribbean. Now we are working on that. He will be taking RFP's within the next 60 days, and they will become a member of the World Trade Centers Association, so that they can use all of our facilities and the ease in which they can reach out all over the globe.

I said Governor Thompson has created his group of small business people, gathered together under Lieutenant Governor Ryan, to try to make use of facilities in Chicago and the rest of the State of Illinois. Governor Cuomo has a group in Albany right now that is trying to do the same thing. So I suggest here that we have an existing organization with a track record, who reach to 56 countries, and we are ready, if you would, to work with SBA in trying to carry out these programs. I will give you detailed information on Network and the membership of our group, and any other information that you need we would be happy to work with you.

Chairman SISISKY. Thank you, Mr. Tazzoli. It is interesting that what you just said is really what Mr. Watson said, if I heard him correctly.

Mr. WATSON. That is correct.

Chairman SISISKY. He said the problem is probably too simple for us to work it out.

Before I ask my colleagues if they have any questions, I have a brief question. Have any of you gentlemen ever testified before the Ways and Means Committee?

Mr. RENNIE. Not on this subject.

Chairman SISISKY. Have they ever heard from small business? You see, the problem that we have, we are really not a committee of jurisdiction per se, and that almost happens in everything that we do here. We are an advocacy group for small business. But, as far as legislation goes, it is very difficult. That is something that we may correct. I am going to talk to the chairman. I know the staff director very well, and I think they have to hear what you have said this morning.

Mr. TAZZOLI. Mr. Chairman, this is one of the things that came up at the White House Conference in discussing the idea of a Department of International Trade. It isn't just an organizational problem, say, in the executive branch, but clearly this is one of the difficulties in getting trade to be a sort of focused-type priority in that the jurisdiction over the various aspects, the various functions of trade is spread across a number of committees. Therefore, if you had a Department of International Trade, you would obviously have a focused oversight and you would have committees that would be matching up and thereby help in terms of keeping a focus on what we are trying to do.

Chairman SISISKY. As you know, this is the first of many hearings we hope to have on this subject. We are going to zero in, hopefully, next year on pertinent problems and how we can solve them. That is what I visualize us doing, and trying to highlight these things that you have explored today.

I have many questions, but just to open it up. How important are trading companies to exporting for small companies? It seems like a very ideal situation.

Mr. RENNIE. You mean export trading companies?

Chairman SISISKY. Yes; export trading companies.

Mr. TAZZOLI. Mr. Chairman, I might try that one. We started at the Port Authority and the World Trade Group right after the bill was passed a small trading company called Xport, and we are right now helping 100 small business organizations in the New York-New Jersey to export by actually doing it for them. What we have found, it is very difficult to educate them to do it. Everybody along this table has said how difficult it is to get people into international business. But by using our contacts, we were able to create a trading company. We actually take a commission on the sales that we make.

Now it is a way of promoting trade, if you will, and the port authority is doing that. I think in many respects the Trading Company Act has not fulfilled the hope and promise that it had hoped to have with the banks doing it.

Mr. RENNIE. Maybe I could add a comment there. I testified in favor of the Export Trading Companies Act when it was being considered. One of the unfortunate things that happened in that whole exercise was that the whole thing got skewed off when the Banking Committee got into it, frankly.

The original idea, which grew out of the 1980 White House Conference—I mean, it was in existence before then, but it got a real boost. They were called American Export Trading Companies [ETC], as I recall, at that convention. The whole idea was that a group of small companies or medium-sized companies would come together. They had complementary products, common customers potentially, and they would come together and they would form an ETC. Then it was felt that if they could ally themselves with a bank so as to facilitate the financing and so forth, that would be the ideal set up.

What happened was, as the thing began to wend its way through the various hearings in the Congress, the participation of banks became a huge issue, and whether banks ought to be able to hold a majority interest in these things or not. So, the point, by the time the thing finally came out the notion of everyone was that ETC's should be formed by a bank and then go out and try and find small businesses to participate in it. I think most people that considered ETC's and what their purpose was said that banks would not be the right people to be forming export trading companies, and, you know, it added a lot of confusion to it.

It then took, as my recollection was, something like 6 to 8 months to even get the regulations written for the thing because of all the, complexities involved, especially with the bank participation. So the net effect was the whole thing was a very sort of slow getting off the ground. The perception in the small business community was it was very difficult. There were some that were formed immediately by big companies. I remember K-Mart I think was one that formed one almost right away. It just never—it hasn't really blossomed.

Yet I think the notion is excellent, and I think that as people maybe get more comfortable with the idea, providing it isn't repealed or something in the meantime, I think they will eventually come to the fore and there will be more of them done. But righ now I don't think you would say it would be an important facto

Mr. BAROVICK. The problem—in answering your question, the problem is that we don't have the data to answer your question. The small business title of the Omnibus Trade Act, just passed as a result of the efforts of your committee, calls for exploring the idea of creating an SIC number for trading companies. There is no such thing now. If we had that we would be able to answer your question with some confidence. Obviously, trading companies in the U.S. account for a very small proportion of U.S. exports. As was pointed out, 80 percent of U.S. exports are handled by 200 or 250 large corporations. Another 10 percent is actually handled by the Japanese trading companies in the United States, and the last 10 percent is handled by everybody else, which would be small and mid-sized companies, mostly manufacturers and some of them trading companies.

There would probably be about a thousand export management and trading companies in the United States Their numbers have shrunk in recent years. During the mid-1980's when the dollar was very high and exports ran into great difficulty, a lot of trading companies in the United States simply went out of business, or were bought up by others. So the ranks of the community havecertainly shrunk a whole lot.

Chairman **Sisisky**. It is a shame because it seems like the right way to go in my mind.

Mr. Ireland?

Mr. **Ireland**. Thank you, Mr. Chairman.

I am really impressed with the testimony all along the line that we have had here, including Mr. Watson's high tech testimony with his lap computer and everything else. I think that tells us something right there. Seeing some of these gentlemen in action, again I am quite impressed.

It is like the story of the old farmer way out in the rural district. The young new county agent came out and talked to the farmer, and he was just bursting with all the new programs that they had and wanted to tell the farmer he ought to come to the seminars and he ought to get this publication and that publication. The old farmer looked at him for a long time and he said, "Son, you don't understand. I'm not farming as good as I know how now."

[Laughter.]

Mr. **Ireland**. I think there is a lot to what you gentlemen say. Yes; there is room for new initiatives and we should never forget that. But there is an awful lot out there in our Federal Government, in our Commerce Department, at the Export-Import Bank, in our State governments, in our private sector, as Mr. Tazzoli has said, and certainly what Logos is doing that is there and available if we can only get our act in order and start using it. I think we have a real responsibility in the Congress. One of the things that was high on everybody's list I sense is the fact that once again something that small- and medium-sized business needs to do is hamstrung because the jurisdiction is split up in the Congress. I mean, even within this committee the chairman and I have to do a cheerleading job to get on the agenda of the Small Business Committee, let alone the Small Business Committee facing the fact that taxation is handled at Ways and Means and the Banking Committee does this, that and the other.

So I am encouraged with the identification of the fact that there is so much there. I hope we take it as a charge to get out and do our share and see that some of the agencies of the Government and that we, ourselves, do a better job.

We have a real opportunity in America to take advantage of the growth of free enterprise and market economies around the world, and I am desperately afraid that this is one area that, whether it be AID or State Department and others, we are literally exporting the concept that has failed around the world. We are exporting the idea that big planned economies are what these countries need, and goodness knows, in the Soviet Union and in China they are trying desperately to get away from big planned economies.

Yet, again, the people in that part of our Federal Government are, like Mr. Watson said of something in the Commerce Department and USTR, people with no knowledge of the marketplace and free enterprise economies and small business. These are people of backgrounds that think in terms of making decisions in a planned economy way that we know around the world has not worked, and we see this great revolution on the Pacific Rim and in other parts of the world where free enterprise, small- and medium-sized businesses are making the world go around. And these people look to America and say, "America has done this." We are leading the parade, and we send a bunch of people out there that want to tell them to plan their economy, and we are not hacking it. I think we need a real major change there.

I will get off my soapbox, Mr. Chairman. This has been an outstanding panel. I wish we could spread that knowledge throughout American Government.

Chairman SISISKY. No question about that.

Mr. Slaughter, do you have any questions?

Mr. SLAUGHTER. Thank you, Mr. Chairman.

I would just like to echo Mr. Ireland's comment about so many of our actions being based on big planned economies abroad when what is really staring us in the face is the two leading Communist countries—China and the Soviet Union—undergoing or attempting drastic changes in how their economy operates. It is an admission. They admit that Communism hasn't worked so far. That the revolution has failed, in effect. We have not taken that into account, I don't think, in our trade relationships as well as in some of our other relationships. Thank you, Mr. Chairman.

Chairman SISISKY. I have a lot of questions I could ask you, but because of the timeframe, I will not ask many questions.

Mr. Hohenstein, I don't know if I heard you correctly. Our Federal agencies do not print brochures in the language of the countries we are dealing with; they print them in English?

Mr. HOHENSTEIN. Generally speaking, that is true. I would estimate nearly 100 percent.

Chairman SISISKY. That is strange. One of the reasons that I asked you gentlemen to come first is because we usually put our agencies on first because of the timeframe. But basically, I wanted them to hear the testimony from you. I plan to explore that question, and that is why I raised it. That is another elementary issue as far as I am concerned. I agree with you that English is the world's secondary language, but obviously not the primary language.

Mr. HOHENSTEIN. I would like to make another comment here. I think you may be talking to the wrong people on this panel, because the people on this panel have considerable expertise in international trade. We have been successful in international trade. I believe you should ask those companies which do not compete internationally why they do not. I think it gets down, as I think you said earlier, to perhaps the problem is so obvious and simple we ignore it. The number one reason I would say is fear.

You asked about our backgrounds. Before becoming president of Logos, I was with General Electric, a large international corporation, for many years, and I spent many years in strategic consulting with major international corporations like DuPont and IBM. Except for a very limited number of companies, lack of international expertise is not just a small business problem. Many large corporations concentrate in the U.S. market and then adopt an almost all other approach. It is frightening.

Now why is that? Why is that, really? One reason is that while over 90 percent of foreign executives are multilingual, probably less than 1 percent of U.S. executives are multilingual. If I don't understand you and I can't speak in your native language, we cannot communicate and build a relationship. Imagine the executive who says: What are the Germans really like? What are the Japanese like? I don't understand them.

These export trading companies are administration and procedural consultants at heart, and I am not sure they are doing as much to obfuscate the problem as they are to clarifying it.

There is also the fear of the bureaucracy. Where do I start? There are certainly enough programs. There are many programs available if you have the time and resources. We have heard this theme over and over again.

Why don't we create a Federal agency that proactively goes out to U.S. companies and targets them by key industries—there are considerable differences between a manufacturing company and a high technology software company such as Logos or Pacer Systems—and provide this expertise on a segmented basis for a modest fee.

There are so many straightforward, simple steps that we could take that would dramatically increase our ability to compete internationally. That is why I feel so strongly about our Nation's failure to do so.

Chairman SISISKY. Thank you. Mr. Ireland has one further question. Then we are going to have to proceed with the next panel.

Mr. IRELAND. I wanted to ask, Mr. Watson, so we get into a specific for later on, about the Expo 1989 operation. Is the Commerce Department fully behind this, and where does that stand? What kind of internal support has this gotten within the administration?

Mr. WATSON. The Commerce Department has agreed—Secretary Verity has agreed to cochair the American Steering Committee, and as a result of that the Commerce Department has cosponsored the event, is providing an executive director and key professional staff to support all of the operating committees that we now have in place. It is also committed at this point to manage the money that needs to be raised domestically through the—I have forgotten what you call it. There are funds that are set up that are available to receive private money. The money for Export '89 is being raised privately and the Commerce Department has agreed to manage that money for us.

Mr. IRELAND. Do you sense any enthusiasm throughout the Commerce Department for this? Are they ambivalent about it or they feel like it is a turf problem?

Mr. WATSON. Some people within the Department of Commerce are very enthusiastic, others are not. There are, as you can well imagine, political questions that have been raised. There are a lot of things that are churning within the Department that should not be.

Mr. IRELAND. Thank you.

Chairman SISISKY. Thank you, and I thank all of you gentlemen for appearing this morning. Hopefully, we will be able to call on you again. Thank you very much.

I would like to call Mr. John A. Bohn, Jr., president and chairman of Export-Import Bank; Dr. Michael Czinkota, Deputy Assistant Secretary for the Trade Information and Analysis, for the U.S. Department of Commerce, assisted by Ms. Genny McSweeney Ryan, Principle Deputy Assistant Secretary, for the Department of Commerce; Mr. Stanley B. Parrish, Associate Deputy Administrator for Special Programs, the Small Business Administration, assisted by Ms. Sheryl Swed, Director of International Trade Office of the Small Business Administration.

I welcome all of you. I understand, Mr. Bohn, you have to leave by 11 o'clock. I just want to say, I noticed you were out of the room when I stated to the panel, that we usually have witnesses before the administration witnesses. I do this for a reason. We had, last week, a very interesting hearing, and our witnesses learned a lot from the testimony that they heard. Hopefully, you can answer some of the questions raised, and that is why I did it. It seems to do it in reverse is the wrong way to do it. I apologize for taking your time, but I think it is important enough to do it this way.

Mr. Bohn, you may proceed. Without objection, all parts of your testimony will be put into the record. Proceed, sir.

TESTIMONY OF JOHN A. BOHN, JR., PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. BOHN. Thank you, Mr. Chairman. It is a great pleasure to be here, and I think it is a particularly appropriate time for this subcommittee to register its interest in the problems of the small business in the international competitive arena.

Much of what I did have the opportunity to hear this morning I think reflects many of the frustrations and the concerns that small businesses in this country have in dealing with the international arena. As you know, we have had the reputation in the past of being the boutique for big business, and that is a reputation I think like other comments that were made this morning is simply not deserved and, in fact, is not the case. I think it is one of those issues which needs to be dealt with if the small business community really is going to be able to take advantage of the kinds of changes we have made in our programs over the last couple of years. Because our highest priority and all of the significant and comprehensive changes we made in May 1987 were designed specifically to deal with small- and medium-sized business problems.

Let me give you, if I might, a couple of examples of our small business activity. In the first 11 months of fiscal 1988 roughly 28 percent of all of our authorizations, that is $1.7 billion out of $6 billion, went to support small business. Of the 1,309 transactions we approved in that same period, 802 involved small businesses, and that is about 62 percent of all of the transactions which we processed during that period. So I think it is pretty clear that small business for us is indeed big business.

But it is important I think, if I might, to focus on some of the particular programs that I think have gone a long way to meet the needs of small businesses in this very competitive international arena. Perhaps the best known, and certainly the one that seems to be operating at increasing momentum, is the Working Capital Guaranty Program. In this program the Export-Import Bank provides a loan guarantee which permits small- and medium-sized business to borrow money from a commercial bank or other lending activity to support their exports overseas. Since we launched this program back in 1983 we have helped 161 companies. We have authorized 218 working capital guarantees, totaling $228 million. We have engaged the activities in the support of exports of small businesses of 103 banks in 34 States. We have provided support for transactions as small as a $10,000 loan for an art gallery in Brooklyn to an $11 million loan for petroleum services in Kansas. Of all the working capital guarantee cases we have processed, nearly 42 percent of them were in the first 11 months of 1988. What we see, in short, Mr. Chairman, is as the program becomes better and better known the momentum and the enthusiasm, as well as the utility of it to small business, seems to be increasing at an accelerating rate.

I have in my testimony a couple of examples that I think illustrate how effective and how important this kind of support can be for the small business, subject as it is to a number of the constraints we heard about this morning. One, of course, is this Elwood Hydraulics Co. in Wisconsin. That has been instrumental in helping this company in cracking some tough Asian markets. We provided two guarantees to this company: One to support a $7.5 million sale to South Korea, another $1.5 million sale to the People's Republic of China. Indeed, they are now landing a second contract which we expect to be $5.5 million. That is a $14.5 million increase in exports by this company which this program has made effective.

Mertz Corp. in Ponca City, OK, is a favorite of mine because when the oil business fell apart, rather than ringing their hands they decided to look internationally. They have gone overseas. They have looked at the export markets as a diversification to continue their activity, and we have been helpful with them, helping them win a $9.2 million contract, again for seismic vibrators in China.

One more example is International Petroleum Services in Kansas. Again, affected by the downturn in the domestic economy in the manufacture of oil industry equipment, drilling, and well servicing rigs. We have been active there in helping them fulfill a total of about $14.8 million. We supported them in their export sales to Pakistan, to India, to Turkey, and to Singapore.

Now these are just a couple of examples of how the program works when you have a visionary small business exporter, somebody who is looking outside the boundaries of the United States, coupled with some banks that seem to understand international business, both of whom, or at least one of whom understand that this financing program is in fact available.

The second area, of course, there are insurance programs run out of FCIA in New York. Seventy-one percent of all FCIA policyholders are small business. In the first 11 months of fiscal 1988, we authorized $1.5 billion of insurance for small business, roughly 33 percent of our overall insurance authorization of $4.7 billion. Of the 960 insurance transactions we authorized, 697, or 73 percent, involve small business.

As part of our review in the middle 1980's, we have made some adjustments to some of the programs which again I think help small business. We have a new-to-export program which is designed specifically both in terms of simplicity and in terms of protection by the banks so that whatever the new and inexperienced firm needs it will not come back to haunt the banks. Our hope is that these companies once they begin getting into the export business, they will grow, find it a profitable activity and then graduate to our other programs.

We have an umbrella policy program where we designate a central insurance agent who administers our insurance coverage on behalf of a number of exporters. Our theory there is that whereas it may not be cost effective for a single exporter, particularly small business, to go through all the process and paperwork for insurance, nonetheless if we can find an association or a group of exporters, they can designate a central secretariat which then can gather up the expertise in a cost effective fashion.

We put one of these programs out on an experimental basis to the National Machine Tool Builders. Our hope there was that the some 600 small companies represented by the Machine Tool Builders Association could then find a bank where it might not be interested in dealing with one small business when it is dealing with perhaps 500 or 600 might find it in their interest on a cost-benefit basis to deal with them. We are pleased that the National Machine Tool Builders did in fact take this umbrella policy out, they did in fact negotiate with the bank, and we are still hopeful that this program will produce a number of benefits.

Perhaps our most important program at this point is our City-State Pilot Program, and here I would like to add some kudos to the Small Business Administration for spreading the word and for the Department of Commerce which has been extremely active and supportive of us in getting this financial program out into the marketplace.

Just as a personal aside, when I started peddling exports for this administration one would have a meeting where you would get 20 people: Five of those would be lawyers, five of those would be accountants, and five of them would be freight forwarders—all looking for the other five to become customers. Two weeks ago I attended a Small Business-sponsored conference of exporting in Dallas, TX. There were 800 paid registrants at a lunch. There is an active interest in a number of the municipalities down there to participate in the program, and I think we have at least recognized that there is some good news. Some increasing awareness is taking place. As I say, kudos to the Department of Commerce and SBA for recognizing that and helping us out on that.

The City-State Program is designed to provide a distribution network for Eximbank. We are 330 people running an $8-billion-a-year program. Our thought was that if we could find cities that were interested in jobs and development, States interested in the same thing, we could put together a program where they provided the information and they provided the marketing for our programs. We have done it essentially in three major places: The city of Columbus, the city of Los Angeles, the city of Tucson, and it is done on an experimental basis. We hope at the end of this year we will be able to look at that program and see what mistakes have been made, what advantages have been gained.

Each of the programs is different. The city of Columbus program is largely a program of volunteers—lawyers, accountants, and bankers—to work with small business. The city of Los Angeles has contributed $800,000, staff, office space and logistical support, and we have committed one our people in Los Angeles full time for this year's period. The city of Tucson is done differently yet. It is a city of essentially nothing but small business and we wanted to see whether or not by making a special effort with the city they would be able to bring to the local entrepreneur in the Tucson area the programs and the knowledge of the kinds of services we provide.

Our plan is at the end of this year to sit back and see whether or not we should replicate this program, to see where, as I say, our mistakes were, where we have made some progress. It is interesting to see. The State of California also has a very active program, the State of Maryland, and the State of Massachusetts. All of these programs are designed essentially to get the word out and to provide counseling services for exporters or potential exporters on our program.

So far we have only produced out of this program five working capital guarantee programs of a value of about $1.3 million. We are looking at $4.5 million more in applications, and we are processing an additional 20 that will aggregate approximately $50 million.

We have a $10 million short-term export credit insurance umbrella policy for the California Export Finance Office which gives them the capacity to provide one-stop shopping for the small business person, something that is very important to the small businessman.

We have also granted intermediary lender status to the Los Angeles Local Development Corp. They, too, then can borrow money against our guarantee. They borrow money from us and relend it. Again, part of our task is to deliver these programs down to the level of the small business person in these areas.

I go through that, Mr. Chairman, because I think it is important that we realize that a lot of the problems of the small business in dealing with the export market are being addressed at least on the financial side. But the hearing is designed, as I understand it, to deal with barriers, and if I might, just for a minute or two, I would like to deal with some of those that we see that continue.

First, and I think perhaps in many ways foremost, is the lack of adequate trade financing facilities from the commercial banks. This is particularly devastating for the small business person who needs not only the trade finance itself, but the advice and counsel of the commercial banking industry and others knowledgeable in the export business. They need the facilities of letters of credit. They need the facilities of paying and receiving. But mostly they need the knowledgeable counseling of somebody who has been in the business.

With the concerns that the banking industry has had in this country over the last few years, with the debt problem, with new loan loss provisions, with capital adequacy concerns and quite real management efficiency kinds of concerns, this high overhead business that we call export financing in many ways has simply become a thing of the past.

Certainly it is true in the case of most of the markets that we deal with, which are essentially the developing country markets, there is some hope. There is a bank in Los Angeles that has provided the Los Angeles Local Development Corp. with a $15 million line of credit, and there are other developments beginning to take place.

Regrettably, at a time when in my judgment we need to address not only the concerns of small business in the exporting community but the concerns of America in exporting and in the international economic environment, we have some constraints which I am afraid will not permit us to deliver the kind of program that we are geared up to do. As you know, in August we ran up against our direct loan ceiling. Congress has seen fit to take $1.4 million out of our administrative budget at a time when one has to understand that the nature of our business has changed.

In the old days, we did a lot of project lending. These were large megabuck projects in transportation, in communication, nuclear power plants, so that a modest staff could produce big dollars in terms of the record. Today, and largely consciously as a result of our efforts and as a result of the changed marketplace, our business is simply different. Our business today is smaller products, services, much more complicated kinds of transactions than we have in the past.

We have also, as a result of our program modifications in May 1987, direct access to the bank by any responsible exporter. That has resulted in a great deal more business coming directly to the bank in a much less formed stage than in the past. I think that is good in one sense. That is to say, it provides the exporter with the option of coming to the Export-Import Bank, getting our advice and counsel, getting a commitment, and then going out and shopping for a financial institution to make the transaction take place.

It provides, however, an enormous strain on very meager facilities. We are finding that our own options are much busier now with much smaller transactions. It takes many more smaller transactions to produce the dollar volumes that we have had in the past. It takes a much more careful analysis to do many of the transactions given the evolution of the debt crisis we have been through. So that the wear and tear and the workload on our office staff has gotten to the point where we are simply in a situation where I am afraid our service is going to suffer.

We are seeing already a backup in our ability to process applications. So be it. We will do the best we can. But it is of concern because it is this small business and middle market area where the demand for staff and the demand for support financially seem of most concern. We will have to scale back our City-State Program and our marketing efforts. Because today we have produced a widespread interest in the program, it is up to us now to deliver the product in a timely way. Otherwise, I am afraid we will do more damage to the exporting community and export expectations than otherwise.

One or two more comments, Mr. Chairman, briefly. You asked about barriers to exporting on behalf of the small business. The attitude deficit was referred to earlier today. The lack of awareness nationally is certainly concern, although, as I said before, that is changing. As I travel around I see much more interest and enthusiasm, or at least the willingness to try and think about exporting.

We are still suffering from an institutional deficit. What I mean by that is this. In most of the trading nations that we are familiar with the intermediation process took place in the form of trading companies, in the form of intermediaries that would simply take care of buying the goods from a local producer and selling them in the international marketplace. When, as in the case of Japan, the institutional—the producers outgrew that system, they then were large enough to sell in the international marketplace on their own.

We, in this country, skipped that stage and, as a result, whereas we have many big producers that sell international, there still is no effective institutional intermediation to deal with small business. The good news is that we are seeing the beginnings of some new kinds of institutions coming up. Not just the traditional freight forwarders and export managers, we are beginning to see people filling in that breach that is being left by the banks, filling in that breach that is being left by this driving demand, and, in my own judgment, the demand by the beginning of this decade will drive at least some of the commercial banks back into the process simply because that is where the customers are going.

But it really is this institutional problem that we need, as a country, to deal with. As I say, my sense is there is some good news. We are seeing some of those take place now. But it is a long struggle.

Our hope is that with continual awareness generated by the Congress, by trade debates, by the simple necessity of competing again in the international community and in the world, which is very different from the world which we historically know, where we were predominant, all of that will take place. I look forward optimistically to the decade of the Nineties when, in my judgment, we will see an active exporting community. It will again become fashionable. Indeed, those who have managed to hang on through the bleak days of the Eighties will see their patience rewarded. Thank you, Mr. Chairman.

[Mr. Bohn's statement may be found in the appendix.]

Chairman SISISKY. Thank you, Mr. Bohn. Because of your time constraints, if you gentlemen do not mind, I would just ask some questions of Mr. Bohn so that he can leave.

Mr. Ireland, do you have any questions?

Mr. IRELAND. I have a comment and maybe a question. Lots of questions, in fact, we can talk about later, but I can't let this moment go by without saying Bingo! or something along that line. Some 6 years ago, as the gentleman knows, I was pretty frustrated. I don't like set-asides and quotas, and yet I was frustrated by where the Eximbank was as far as dealing with small business. I was forced to work from the Small Business Committee through other committees and the Eximbank did get a quota. The idea was to energize the bank, hopefully, to where they would exceed the quota. I have got to say, under your leadership, while we can discuss the pros and cons of figures and everything, it has just been a remarkable change, and you and the bank deserve substantial accolades.

Obviously, there is a long way to go. I guess you could probably say that we ought to put our action where our mouth is, and maybe perhaps me individually. We talked at that time about the bank having a handful of prestigious loan officers who didn't want to talk to anybody that didn't have a corporate jet, and now you have in a sense changed that and you have got a lot more applications, just as we all said you would. You have got a lot of people dealing with $100,000 loans instead of $100 million loans, and you need more people. If we don't fall in that category of "what have you done for me lately," we ought to be out trying to help you—with other committees—get more staff, get the resources needed to do it. I, for one, want to say that I will be glad to help. We need to know from you what is working—just as you have told us today—what isn't working, and what your needs are. Because if we are going to serve small business, we need to help along that line.

So I just want to go on record that there has been a great turn made and there is a great opportunity here that we should all share in.

Now, having said that, let me ask one question before you go. I, with a background in the banking business, am greatly frustrated about how banks are, and knowing that bank management is not entrepreneurial in any way but realizing that after all this struggle you are dealing with 103 out of 14,000 banks and that kind of thing, can you off the top of your head, or perhaps furnish us with some ideas over time of what we can do to energize the American banking system to really do more on this? Or shall we just say to hell with it and by-pass it, and encourage the banks to help their State and local affiliates do something?

Mr. BOHN. Let me just make this comment. I get in constant trouble with my former colleagues in the banking business for saying this. It is quite understandable what they are doing, given the concerns that they have for capital, giving loan loss reserves, given all of the kinds of criticisms, some justified, some unjustified, that have taken place. I think the hope for the small business person in the export area is really in the regional and the smaller banks. Very large banks, some of whom are still doing some of the business, are moving, according to our studies, in very different directions. They are moving toward more and more investment banking securitization kinds of strategies. All well and good, and certainly our banks need to look after themselves. But the small community-oriented bank I think is the one that is more than likely to be able to serve the small business, because that banker knows those businesses.

When we make a working capital guarantee we are relying very heavily on a local banker. There aren't a lot of bankers around that really yet understand the programs that we have. We run a seminar every month for 4 days, where we go through a User's Guide, we do case studies, we do try to familiarize the bankers with our programs, with the risks and with the coverages that are available. Fully a third, and a growing number, of those who participate are foreign bankers. We find, for example, that the foreign affiliates and subsidiaries of banks here are far more aggressive in providing support for American exporters than American bankers are. So be it. Our job is to get the job done and get the exports moving. If the foreign banks do it, so much the better.

My sense is that the community-level banks, the regionals and the smaller banks, as this awareness begins to take place will be driven into providing more and more support for small business in the export arena. We are beginning to see some signs of that. We have, as you now, an advisory committee, and a subcommittee of that is due to render a report to us in November as to how we can help attract the banks back into supporting exports.

We don't think it is our job to provide 100 percent risk-free kinds of support. We think bankers ought to be bankers, and part of that is taking some risk. On the other hand, we think that we are in a position to evaluate overseas risk about as well as anybody is. Indeed, that is our job. So we are trying to get a mix of their ability to deal with commercial risk, their ability to serve their customers, and our ability to be able to absorb to the extent we can foreign risk.

I think it will change, but I think it really is a question of awareness. We travel around. We send the marketing officers out to talk to the marketing officers in the bank, and we have tried—I have tried and a number of the senior executives have tried to actually go and visit the chief executive officers of some of these banks and say:

> Look; the Export-Import Bank that you have dealt with 5, 6, and 10 years ago is different. We have different programs. Please take the time to understand the credit support and the insurance support that you now get. Because when your loan officer comes up here and you say, "Well, that's an Eximbank program or that's Mexican risk or Columbian risk," it's different.

So we are trying at both ends of the marketing program to sensitize both the chief executive officers and the chief credit officers as well as provide some incentives, along with SBA and others, for the marketing officer.

I think it will change, but it is going to take a lot of work by a lot of people.

Mr. **Ireland**. One last question. That November report, is that going to be an in-house report, or can you be sending us one?

Mr. **Bohn**. It will be an in-house report initially, but I would be happy to send you one.

Mr. **Ireland**. That would be fine. Thank you.

Chairman **Sisisky**. Let me just piggy-back a little bit on my colleague's question about what you are doing for small business. I always try to put myself in the place of the business person because I have come out of the business world. If your staff is cut, it would seem to me that it would be a lot easier to say: It is easier to do a $15 million loan than 15 $1 million loans.

What I really want to know, and I don't know if you can answer this question now. Certainly you could send it to the committee. How many businesses have you really assisted, small businesses, in loans? How many loans for $1 million or less, $500,000 or less, $100,000 or less? Where are the businesses located? Are there any types of areas that they are located, whether in the Northeast, the

West, the Southeast, agriculture areas? I am sure you have those statistics, and I wonder if you could relay that to the committee.

Mr. **Bohn**. Sure.

Chairman **Sisisky**. I don't expect you to have it——

Mr. **Bohn**. I can't give it to you, Mr. Chairman, off the top of my head. There are a couple of areas that seem to predominate. One is China. I can't give you the number, but a substantial number of businesses that we have supported in this working capital area have been engaged—the businesses have been engaged in sales to China. Wood products for some reason is another industry where we have had more than casual demand. But I can provide those statistics for you. It is scattered pretty much around the country, but really the China trade and wood products seem to predominate.

[Answers to Mr. Sisisky's questions may be found in the appendix.]

Chairman **Sisisky**. Thank you. Mr. Slaughter?

Mr. **Slaughter**. No questions, Mr. Chairman.

Chairman **Sisisky**. Thank you very much, Mr. Bohn. I do appreciate you being here today. We got you 1 minute late; it is 1 minute after 11:00.

Mr. **Bohn**. Thank you very much, Mr. Chairman.

Chairman **Sisisky**. Thank you. Now we will hear from Dr. Michael Czinkota. Welcome, Dr. Czinkota. It is nice to see you again.

TESTIMONY OF MICHAEL CZINKOTA, PH.D., DEPUTY ASSISTANT SECRETARY FOR TRADE INFORMATION AND ANALYSIS, U.S. DEPARTMENT OF COMMERCE, ASSISTED BY GENNY McSWEENY RYAN, PRINCIPLE DEPUTY ASSISTANT SECRETARY, U.S. AND FOREIGN COMMERCIAL SERVICE, INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. **Czinkota**. Thank you, Mr. Chairman, Mr. Slaughter. I am pleased to be here today, and I also have a written statement.

Chairman **Sisisky**. Without objection, it will be a part of the record.

Mr. **Czinkota**. Thank you. Before I start with my testimony, let me just give you some very brief background on myself. I am currently at the Commerce Department. I was glad to be able to listen to some of the private sector comments beforehand, where one of the witnesses mentioned there ought to be someone at the Deputy Assistant Secretary level who has small business in his portfolio. I am happy to report I am a Deputy Assistant Secretary. I do have small business in my portfolio, so there is someone there.

Chairman **Sisisky**. That is one less question I will have to ask you.

Mr. **Czinkota**. But before coming to Commerce, I was chairman of the National Center for Export-Import Studies at Georgetown University. But more relevant to this meeting here is that before doing that I ran a small business trading company for 8 years. So small business is not just in my portfolio, it is very close to my heart. I remember how tough it was to meet a payroll and I know how much support is necessary to do so.

Let me just briefly start out by talking about the economy in general. As we all know, there is an export boom in our economy right now. As a matter of fact, exports are running at an annualized basis of $325 billion. We have never before been at such an export level.

This may be a good time to dispel some old myths which again and again come up. Namely, one of the myths being that 85 percent of exports are accounted for by 200 firms. I must confess that to some extent the Department of Commerce is involved with that myth. We put out a publication years ago saying that 85 percent of exports were accounted for by 2,000 exporters, and somehow somewhere one zero got dropped. Ever since everybody keeps on talking about those 200 exporters. It is 2,000, and that was about 8 years ago.

I looked up a little bit more detail on numbers like that because they are always fun facts to have. It was 85 percent for 2,000 firms 8 years ago. Our latest data indicate that these same 2,000 firms now account for 70 percent of exports. So really their share of exports has been declining. What that means is there are lots more exports accounted for by smaller sized firms.

Now let me give you some factual numbers here. Our last comprehensive data base, which stems from 1984, indicates that there were 59,000 U.S. manufacturing exporters in 1984; 40,000 of those were small firms. But the news is even better more recently. We are doing some preliminary work on 1987 data and this work indicates that in 1987 we had over 90,000 exporters. What that really means is that 17 percent of U.S. manufacturers are now exporting. Looking back 10 years ago, that is a tremendous improvement, and we have much more involvement by smaller sized firms than we used to have. So there is much more small business export activity.

However, small businesses do differ to a large degree from larger firms. Our data indicate that small businesses are much less committed to exporting. Let me again give you some facts here. Forty percent of small firms export—of those small firms which export, 40 percent of those export less than 1 percent of their output. So we are really only talking about occasional exports rather than a concerted strategy or large-scale exporting. Eighteen percent of those small businesses which export, export more than 10 percent of their output. Now that compares to 27 percent of larger firms which export more than 10 percent. So what that means is there is lots of untapped potential within our smaller sized firms. There are many firms exporting already, but they are exporting at fairly low levels and we do need to tap that potential.

Now, we often hear about the disadvantages smaller sized firms have in the international market and the obstacles they face, and I will touch on those. But before doing so I would like to point out ever so briefly that there are some very distinct competitive advantages that small businesses have. Let me go over some of them.

Small businesses, for example, can customize their operations much more easily than many larger sized firms. Small businesses usually have much clearer lines of accountability and communications. So, if you are a customer—and that is really what we need to focus on to some degree because the customer is the one buying no matter what the smaller sized firm wants. A customer who has a problem with an export order knows whom to contact, whom to talk to, and knows who can fix the problem, which in the smaller sized firm is much easier to do than for a larger sized firm.

Of course, smaller sized firms most of the time offer much shorter response times. If something needs to be done, there is really no need to check with a home office or check with the corporate staff. There is the owner who knows I can or cannot do this.

Given all of these advantages together with the fact that small- and medium-sized firms have consistently outpaced larger firms in terms of employment generation and have been leaders in innovation and creativity, again we come to the conclusion that there is a lot of potential for smaller sized firms in the global market and that potential does need to be tapped.

Now, coming to some of the obstacles faced by these firms, the major obstacles which are usually cited by them are lack of export marketing information, excessive export documentation, lack of export financing, intense foreign competition, and tariff and non-tariff barriers. Let me just briefly touch on these obstacles.

First of all, the major obstacle small business usually cites is that would-be exporters have trouble getting information—how to enter the export market, whom to deal with, finding out where the market opportunities are. Now we, at the Department of Commerce, have tried very hard to counteract this perception by getting the word out on the information assistance that is available. We have our Export Now campaign, which was launched by President Reagan and Secretary Verity, which is clearly designed to fill this information void, letting people know, letting firms know that there is information available to encourage exports. That campaign clearly demonstrates how the improved international economic climate for firms can be used and what export services the Department of Commerce makes available and what services other Government agencies make available.

Now this campaign in addition also pulls together private sector resources. Just one example is the development of a computerized export training disk which directly came out of the Export Now Program in collaboration with the private sector—faculty members, research institutes—which can now be made available to companies so that they can train and prepare for the entering into the export market. Some other programs which are targeted particularly at small business by the U.S. Department of Commerce are the Europe Now Program, which promotes and assists U.S. firms who intend to sell their services and products in Europe. We have our Matchmaker Program which works very closely with the Small Business Administration trying to match up smaller sized firms with venture partners—joint venture partners and licensees abroad focusing on very specific countries.

We have, of course, our export trading and export management company outreach program which has been increasingly effective in getting the word out that there is a possibility to join forces and be more effective in entering the export market. We have a whole host of publications such as the Basic Guide to Exporting, and specific programs, trade mission type or executive-level missions such as the Market Japan, America's best mission, which the Secretary of Commerce just returned from leading last month.

But beyond assisting businesses with marketing assistance, which we have available at the Department, I think we are also doing a lot of work to find out what kind of assistance is necessary. Let me just give you one major example. We are right now working at the Commerce Department, essentially in collaboration between the International Trade Administration and the Bureau of the Census, to develop a data base on small business exporters. Keep in mind that to this time there has really not been any comprehensive ongoing tracking of small business exports. We have had anecdotal evidence. We have had sporadic statistical evidence, but we never have had a comprehensive view of what it is small businesses are doing or not doing in the international trade area. We are building this data base, which should be completed by 1989, which hopefully will identify for us where the small businesses are that are exporting, what percentage of the industry exports they account for, where they export to, because this will enable us to form exporter profiles and we can identify industries, for example, which are underrepresented in terms of small business exports, we can identify countries which are underrepresented in terms of small business exports, and that allows us then to target programs precisely to facilitate the export efforts of these firms. So building this knowledge base in collaboration with the private sector is of major importance to us.

We also build our knowledge base by learning from other people what their research has shown. As one example, a few months ago in the Department we sponsored a conference on export promotion and assistance. We have had over 300 people there over a 2-day period informing us what their experience had been, what their problems had been, what their research had indicated, and we are using that information, again, to give a targeted approach to our programs so that they can be precise and cost effective.

Of course, in terms of information, what will also be useful is the National Trade Databank, which the Commerce Department is heading. It is a part of the Trade Act of 1988, of course, designed to bring together commercial and economic information, but not just as a repository, but to use that information, to get it out to decision-makers, to companies. We are very hopeful that we can make great progress on this goal.

Some other areas small businesses are concerned about are, of course, export documentation and problems in filling out all these papers. Clearly, when you are busy trying to do deals trying to stay in business, it is always painful having to fill out papers. But now that we have the advent of the harmonized system, hopefully, at least the standardization of the paperwork will make it easier for firms to comply with documentation requirements.

Firms also talk a lot about problems with export financing. As we have heard from John Bohn, there is a retreat which has taken place by commercial banks in terms of export financing. That is troublesome. On the other hand, banks are responding to market forces. It may not be that profitable for them to do export financing right now. Eximbank is working very hard to fill some of these gaps, and jointly with Eximbank and the SBA we at Commerce are working very hard in getting the word out and cosponsoring conferences and in having our commercial offices trained by Eximbank so that they can bring those programs closer to the marketplace.

Businesses also talk a lot about unfair foreign competition, Government subsidies, and tariff and nontariff barriers. Clearly, that is why we are negotiating in the Uruguay Round, in Geneva, in order to open up markets and to do away with such odious practices.

In concluding, let me just briefly state that I think we have come a long way in terms of our Government support for small business exports. I remember testifying before you, Mr. Chairman, several years ago when I was in the private sector, and at that time there were several areas where there were distinct shortcomings in supporting small business. Many things have happened there. Many more small businesses are now participating in exporting.

But one of the private sector witnesses asked what is the motivation of small business to go international? I think that motivation is something Government really can't change too much about. The motivation always was, will be and should be, in my view, profit. That if you go abroad you develop new markets, you can grow and you can make money. That has to remain the key incentive and key motivation. But what we as a Government can provide and should provide is a level playing field, is information to firms where we have Government efficiency since, obviously, not every firm has the luxury of stationing people all over the world, and we are doing that. We are working very closely—there has been much more cooperation than in the past between different Government agencies as far as exports are concerned. For example, we have a Memorandum of Understanding with the Small Business Administration. We have regular training of some of our officers by the Export-Import Bank. We collaborate jointly on research projects. We exchange information and data.

So there has been lots more cooperation, and as a result I believe much more effectiveness in terms of our support for small business. It is an important resource for the Nation. We have to tap that resource because after all, if we look back in history, small businesses typically are the large and multinational corporations of the future, and we do want to maintain that. Thank you very much for your attention.

Chairman Sisisky. Thank you very much, Dr. Czinkota.

[Mr. Czinkota's statement may be found in the appendix.]

Chairman Sisisky. Now we will hear from Mr. Parrish.

TESTIMONY OF STANLEY B. PARRISH, ASSOCIATE DEPUTY ADMINISTRATOR FOR SPECIAL PROGRAMS, SMALL BUSINESS ADMINISTRATION, ASSISTED BY SHERYL SWED, DIRECTOR, INTERNATIONAL TRADE OFFICE, SMALL BUSINESS ADMINISTRATION

Mr. Parrish. Thank you, Mr. Chairman, and members of the committee, for the opportunity to speak before you today on an issue that is certainly very important to SBA and one that the Administrator feels very strongly about: The future of small business in the export sector of the U.S. economy.

I did find it very helpful also, Mr. Chairman, this morning to listen to the first panel and have their insight of their views and hear of their shared concerns that we have and some of those programs that we are trying to address to meet those needs.

Small businesses are now recognized as the engine which drives our economy. In the past 7 years, 17 million new jobs have been created, most of them by the small business community. Small business now employs some 54 percent of the American work force and represents 98 percent of all U.S. businesses. Japan, the world's model for a nation with a successful export-driven economy, also prides itself on its own considerable small business sector, which provides 80 percent of that nation's employment.

Despite the fact that in the United States a relatively small percentage of American firms export, we know that many small businesses can and do export. A recent study shows that of 34,000 U.S. exporting firms, 52 percent are businesses with fewer than 100 employees and a full 79 percent of exporting firms have fewer than 500 employees.

In fact, the innovators present in our small business community account for two-thirds of our new technology in products and services. As they transfer those innovations and new ideas from domestic to foreign markets, they may soon be fully recognized as the engine driving exports in our trading sector.

How, then, can the Federal Government help this important sector of our economy become a greater force in increasing U.S. exports and in reducing our trade deficit? Your committee has raised some important questions. What are the barriers to export for small business? Are the barriers to export perceived or real? What current programs, State and Federal, are helping to overcome or lower the barriers? What can we in the Federal Government do to meet the needs of small business?

What are the perceived barriers to export for small business? I say perceived because most small businesses, which traditionally grow out of the needs of a local community, perceive exporting as beyond their reach, difficult and expensive to undertake. The most important barrier to exporting, therefore, is overcoming the problem of perception by changing the particular American mind-set that does not readily include thinking beyond U.S. borders, and I think that was manifest in the testimony of several in the private sector earlier in this hearing.

The Small Business Administrator, Jim Abdnor, has targeted as one of his prime objectives encouraging small businesses to consider the global marketplace and changing the erroneous perception that exporting is too difficult and expensive for small businesses.

Since Senator Abdnor has led the agency, we have challenged those perceptions with an education and outreach program. We work closely with other agencies such as the Department of Commerce and the Export-Import Bank; with our well-established networks of experienced exporters; the Service Corps of Retired Executives, who mentor new-to-export firms. We do it with our own loan officers in SBA's Office of Finance and Investment and with the Small Business Development Centers that have International Trade Centers, and with some of the Small Business Institutes.

We have recruited current successful exporters from the Nations' small business community to speak at various seminars, and we have just completed a series of 10 regional International Trade

Forums, one of which Chairman John Bohn just referred to, in Dallas. We had over 700 people attending that seminar for a day and a half. This was all cofunded through a private sector initiative with AT&T, and which in fact gave rise to some 600 satellite conferences that we have held also throughout the country.

Further, we have financially assisted carefully screened small business owners on Matchmaker Trade Missions with the Department of Commerce to encourage the participation of small business. I might add that through our satellite conferences and through our 10 regional forums that we have held we will have counseled or directly affected approximately 30,000 small businesses in those conferences.

We do feel informational outreach promises one of the best uses of Federal resources to service the small business community because we have determined that some of the perceived barriers to export are these:

First, fear of exporting. Fear of the unknown and trepidation about a costly first-time experience in exporting to a poorly understood, new market stops some firms from entering the global marketplace. Many firms would rather continue to sell in a known market where they feel comfortable. We use our panel of experience and successful small business exporters, the SCORE advisers, and the SBDC's to help dispel the myths surrounding exporting and to guide new-to-export businesses through the thicket of export procedures.

Second, we feel that lack of experience is a barrier. Export procedures can be daunting: How to get an export license, where to find a freight forwarder, how to select the proper overseas insurance, whether to use an export marketing consultant or trading company, where to get financing, and what kind to get, in which market to first sell your product, and how to deal with foreign currencies. All of these questions can be addressed, and have been variously addressed, to the over 30,000 participants that I have just mentioned through our regional and satellite international trade meetings.

The third barrier is cultural, legal, and language barriers. Different tastes, distribution patterns, quality control standards, tariff structures, and, in short, differing ways of doing business characterize foreign markets. This may be disconcerting to the small business person who may have no overseas experience. SBA helps the small business owners overcome these barriers by providing excellent, personalized counseling services through SCORE, ACE, and the SBDC's.

To assist with the legal aspects of trade, the SBA offers a service in conjunction with the Federal Bar Association. The Export Legal Assistance Network provides a free one-time legal consultation to new-to-export small- and medium-sized companies. To help overcome cultural barriers, Matchmaker Trade Missions can be especially helpful. We have seen that once an initial market has been targeted we can help ease the small business owner's entry into that market and culture through the exposure and contacts the Matchmaker Missions provide.

Even a seasoned exporter who may be reluctant to try entering a new market in a new region can benefit from Matchmakers. A health care firm in Atlanta, for example, has experienced an increase of $100,000 in sales as a result of entering the European market through participation in our joint Belgian Matchmaker Mission which took place in mid-June of this year.

Americans are becoming increasingly aware of the interdependent nature of the world economy. As a Nation of 242 million, we have often relied largely on our domestic marketplace to provide adequate economic growth for our businesses. This strategy is no longer sufficient for companies that want to remain viable and competitive. While manufacturing firms may generally be better suited to exporting than some other types of businesses, no firm should leave its potential for exporting unexplored.

If a firm is successful in the United States, it is quite probable that it can be successful in foreign markets. Here, in fact, a small firm with greater control and flexibility over its operations may be in a better position to adapt its product or services to the needs of a foreign market, and to find a profitable niche. SBA believes that exporting offers small businesses an excellent way to grow and emerge as more competitive.

According to SBA's Office of Advocacy, by the year 2000, the volume of the U.S. international trade will rise from today's 26 percent of the U.S. gross national product to approximately 35 percent of our gross national product. U.S. trade is expected to double to more than $1.75 trillion. Small businesses, traditionally accustomed to a stable, domestic market will be propelled into the volatile international marketplace. SBA's programs are designed to encourage aggressive entry of U.S. firms into this market.

Chairman **Sisisky**. Excuse me, Mr. Parrish, before you start that paragraph. I am afraid we have some time constraints now.

Mr. **Parrish**. Good. Good.

Chairman **Sisisky**. If you will please summarize the remainder of your testimony, your written testimony will be a part of the record. I appreciate your understanding.

Mr. **Parrish**. I would be delighted. Thank you, Mr. Chairman.

Chairman **Sisisky**. We can complete this hearing shortly.

Mr. **Parrish**. OK, I can sum it up, really, in two basic statements. We have found that the small business's concerns are this: One, they need additional information, and two, they need capital. One of the problems that we find, and I think Mr. Bohn touched on it, is that we have exporting revolving lines of credit, we have loan programs, but the problem is that we can't find the small community bankers that will grant those loans. We will guarantee them.

So we feel that this year we have created a market, that we have touched over 30,000 small businesses with our training program and the outreach, and we will continue to do that. We have provided some great publications; the Resource Guide, the Exporter's Guide that was talked about earlier. We are in the process of developing an international trade State and local resource directory. There was a question asked earlier about how do you find out about export trading companies. We have compiled this on over 26 States now. This lists all of the export trading companies and export management companies, for example, in those States. If you were to take the information out of all of these for the 50 States, you would have a complete list, or a very complete list of where those or who those export trading companies are.

We have developed a document on,.or a little monograph on exporting to China. We are going to do this with the other three Tigers and develop the Pacific Rim area. We are trying to get this information out. We are trying to work on the outreach program. But one of the things that we need to focus on this year is to educate the bankers that there is potential and there is opportunity in those markets if they will just grant the loan. Because that really is an inhibitor for small business in access to capital. With that I would be delighted to answer any questions.

[Mr. Parrish's statement may be found in the appendix.]

Chairman SISISKY. I think you sized it up. Let me ask you, are you working with the banks now?

Mr. PARRISH. Yes, sir.

Chairman SISISKY. Are you having any success or are you just starting this program?

Mr. PARRISH. We are just starting the program, and we have talked to some but it is difficult. It takes a capital commitment on the bank's part. It is opening up a new market. It is adding new people. It is an educational process. We feel that it is as important to educate those bankers as to the opportunities in exports——

Chairman SISISKY. It just seems to me that, rather than try to sell all banks, just try to sell some key banks. Competition will force them to consider this. When they start losing customers I would assume that they will all be very interested. Rather than try the shotgun approach maybe the rifle approach may be better.

Mr. PARRISH. That is a good suggestion, Mr. Chairman.

Chairman SISISKY. I know that is not altogether fair, and I am sure people won't like that. But it just seems to me to be the most plausible.

Now, coming back to your first point, and that is the data base, I agree with you 100 percent. I can't understand why it takes so long to get a data base. Now I am sure there is a good reason, but I can't figure it out. What is the real problem in getting that data base?

Mr. CZINKOTA. Before I respond, Mr. Chairman, if I may briefly introduce Ms. Genevieve McSweeney Ryan, who has just joined me. Ms. Ryan is the Principal Deputy Assistant Secretary for the U.S. and Foreign Commercial Service at the Department of Commerce.

With regards to the data base, please keep in mind we are talking about 1987 data. We are not trying to go back to the Fifties; we are trying to have it as recent as possible. Here we are talking simple logistics. This is 1988. Census has just now collected the final 1987 data. We are trying to do a crosswalk from shippers' export declarations; that is, every single export declaration filed for every single export. That is a lot of documents. We are trying to have a crosswalk there with the establishment statistics Census has. That is necessary in order to do the division by sides.

Now we already have preliminary output on that. As a matter of fact, we did a trial run, just to see how the system works, for 1 month, and now we have found, yes; the system works. We are very hopeful that later this month we will have some preliminary output, and then the data base will be completed in 1989.

Chairman SISISKY. We had no data base up until now; is that correct?

Mr. CZINKOTA. Before 1986 Census did not have the capability of doing the crosswalk between shippers' export declarations and establishments. Now that process has been streamlined such a crosswalk is possible. So we are basically doing it as soon as it has become possible.

Chairman SISISKY. It is absolutely amazing. I don't know how anybody could run a business without data and knowledge. You have got to know where your market is or where it isn't. It is just befuddling to me that could happen.

Mr. Ireland?

Mr. IRELAND. Thank you, Mr. Chairman. While we are on the data base program, I would ask you, good Doctor—in case you didn't know, we have funneled some $20 million from the Congress into a data base at the Small Business Administration. Have you concluded that they have nothing to offer in this regard with their data base, or do you feel it is important to have two separate bases on small business, or have you talked to them at all?

Mr. CZINKOTA. First of all, yes; we work very closely with the Small Business Administration. The data base I was referring to, which we call the small business data base at Commerce, is really a totally new product and a very low cost product. All we are doing is taking existing data and doing crosswalks between data bases so that we can find out——

Mr. IRELAND. Mr. Parrish, you have none of this data in this substantial data base that we have provided theoretically at the SBA?

Mr. PARRISH. Congressman, I can address that issue. It is really on the side of advocacy, but one thing I would say is that we really haven't focused in that data base a lot on international trade.

Mr. IRELAND. You have not?

Mr. PARRISH. No.

Mr. IRELAND. Why is that?

Mr. PARRISH. That is a good question.

Chairman SISISKY. That is not a very good answer.

Mr. IRELAND. I would say on both scores, it is appalling that our Federal Government with all the largess they have can't answer questions about a data base any better than what we have just heard. I mean, it is startling, it really is, to not have had the information, not have been interested in getting the information up till now. This is truly appalling.

Mr. PARRISH. Congressman, could I just make a clarifying statement? That is, in fairness to Frank Swain, our advocate, they do have an excellent data base. They do have some information on trade but it isn't focused in that direction. I know for one thing it is very difficult to gather that information on trade, particularly in the areas that we are specifically talking about.

Mr. IRELAND. I might add that—I mean, this is a poor show, but we have been bugging along this line for a long time and still nothing. So we are not in a real good position to be bugging Commerce. I think they are bugging themselves before the world letting us know how poor a situation they have.

Mr. **Parrish**. We also have one other problem, and that is that the information is fairly recent as far as small businesses getting into exporting. We don't have a long history to go back on.

Mr. **Ireland**. Small business has been into export, maybe not enough—we know not enough—but they have been in it a long time. You wouldn't know that at the Commerce Department because they don't have anybody that knows anything about small business over there.

Mr. **Czinkota**. Mr. Congressman, if I might just add, the Census data for a particular year essentially become available in April of the following year.

Mr. **Ireland**. Let me ask you, the Census Bureau is under what Department?

Mr. **Czinkota**. It is a part of the Commerce Department.

Mr. **Ireland**. I see, and it has been there for how many years?

Mr. **Czinkota**. I would not know the precise date of founding.

Mr. **Ireland**. I understand. I mean, I didn't come to town on a turnip truck, you know.

Let me ask you this. All of your statistics, and you are the statistic person here, and I don't want to infer any criticism of something that is not in your area. You were very defensive at the outset about what the figures were and how the zero was dropped and all that, and you referred to the manufacturing sector. Is there an SIC code for services?

Mr. **Czinkota**. There are categories for services, yes.

Mr. **Ireland**. Is there an SIC code for services—export?

[No response.]

Mr. **Ireland**. It is rather a fundamental question. Anybody back there, anybody know? Do we know what we export in services? I mean, you are in charge of information or whatever it is here, or statistical information. I forgot what it is.

Mr. **Czinkota**. Congressman, as I am sure you recognize and as we have stated at Commerce repeatedly, we know much less about services than (a) we would like to know; (b) we know, in comparison to manufacturing——

Mr. **Ireland**. But you are not doing anything about it, except continually coming up here to do—well, let us move on to another thing we heard in the testimony before, and every time we talk to anybody about the Commerce Department we realize there is nobody in Commerce that really knows much about small business, let alone small business and trade. I would ask Ms. Ryan, who is the Principal Deputy Assistant Secretary, U.S. and Foreign Commercial Service, what background do you have in small business?

Ms. **Ryan**. I come from a family of small business. My personal background, though, is one of a lawyer.

Mr. **Ireland**. We are not going for a gene transfer here. I wanted to know whether you or anybody else in there has any definitive experience in small business because even the head of your ISAC that was here pointed out that there is nobody in there with any experience in small business and knows what it is. I think that if we want to come away from one of the big problems here is that there isn't anybody over there that knows anything about small business or you would have gone to the Census Bureau, which is part of the Commerce Department, a long time ago and said: Why haven't we got any statistics?

Ms. RYAN. Congressman, we have been working for many years on trying to put together a proper data base to build and gather these statistics, and, unfortunately——

Mr. IRELAND. If you were in the private sector trying to put something together you would have been out of business years ago.

Ms. RYAN. That is right, and we would also, if we were in the private sector making a management decision that we needed it, we would gather the resources and go ahead and put it forth in our priorities. When you are in a huge department, as I am sure you are familiar with—

Mr. IRELAND. In a what?

Ms. RYAN. When you are in a huge department like the Department of Commerce people have conflicting priorities. They have conflicting data bases, separate data bases. We are in the process now of trying to put everybody together with this National Trade Databank, so that we are all gathering information from every corner of the Commerce Department.

Mr. IRELAND. Yet you don't know that we have got $20 million worth of data base over at the SBA, and you are not even looking into using any of that.

Ms. RYAN. I don't know that is the case.

Mr. CZINKOTA. I may have not responded appropriately to that. We were aware of the SBA data bases, but, as was mentioned, Congressman, this data base does not specifically focus on international trade activities.

Mr. IRELAND. In the interest of time—I have a couple more examples of what is distressing about the Commerce Department, and I would like to outline the Matchmaker events touted so high. In 1987 Matchmaker events resulted in 500 representative joint venture leads, 500 sales leads, and more than half a million dollars in actual sales. Cities, towns, and States around this country go on trade missions, whether you want to call them trade missions or Matchmaker events, and if they had for one visit abroad actual sales of a half million dollars they would be embarrassed. This is a whole year for the big old bureaucratic Commerce Department. One little town in Florida went on one little mission to South America and came back with several million dollars worth of signed up sales.

I would ask, if you would, that you comment on this hot TOP [the Trade Opportunity Program]. It says all these things were done and you distribute these leads. Do you keep any records of whether they produced anything?

Ms. RYAN. I would be happy to respond to that. Hot TOPS is a hybrid program of our TOPS, which is Trade Opportunity Leads. The Hot TOPS program is fairly new, and what we are trying to do at the Hot TOPS is to provide exactly that kind of information. The post cable district offices that have the potential for whatever industry the trade opportunity is within their jurisdiction, the district office then is asked to contact directly businesses in their area and to have those businesses in the area go back directly to the post or the district office would go back to the post and complete the circle.

We have had a little bit of problems in getting post feedback, but that is one of the things we are trying to work out. But the purpose of the program is to directly link the overseas trade lead with our clients in our district offices.

Mr. **Ireland**. You have a social discussion unless you can measure that you got anything out of it.

Ms. **Ryan**. One of the other problems with the TOPS Program is that we disseminate the information not only through our district offices but through the Journal of Commerce and several other newspapers as well as magazines, State development agencies and what have you, and electronic bulletin boards. So sometimes this information isn't going from us to someone. It is going directly to that someone and that someone is going directly back to the person who is asking for the bid in the foreign country, and they seal the deal.

It is hard in those circumstances to get them to report back to us that we have helped them out.

Mr. **Ireland**. So you have no idea whether it is any good or not. My concern is that you are touting it as a productive program and you don't know. It may be and it may not be.

Ms. **Ryan**. We suspect and we have heard back from our clients in the district offices and we have heard back from our foreign posts that it is a successful program, and it is our way of getting a lead immediately, within 2 weeks, out to our business community as quickly as we can. So the theory behind it is excellent, and we are hoping that as we have a little bit more data and a little bit more time to watch the results——

Mr. **Ireland**. Let's not declare a successful program till we find out that it is a successful program.

Ms. **Ryan**. We have had success stories in the programs, and we will be happy to submit those to you.

Mr. **Ireland**. I mean, success is a relative measure, you know?

Ms. **Ryan**. Certainly.

Mr. **Ireland**. Being aware of a GAO report that is out there that has significant questions about what goes on, I would suggest that if there is anything to that report that those of you involved in the Commerce Department in export trade, and especially small business, should look in the mirror and, you know, get moving. Thank you, Mr. Chairman.

Chairman **Sisisky**. When will that report be released, by the way, do you know?

Ms. **Ryan**. That is up to the GAO. We are now in the process of reporting our comments back to the GAO this week on their recommendations and on their factual analysis. Then we expect them to turn around the final draft very quickly. We have been in very close contact with them.

Chairman **Sisisky**. Obviously, we can't talk about it. We have a copy of it.

Mr. **Czinkota**. Mr. Chairman, just one quick addition, if I might, with regards to your comments about the Matchmaker events. I have led several trade missions, and we have always made the point before a mission that the purpose is not to go out, score a quick hit with one sale and come back, but rather to develop relationships. Now the fact that $500,000 worth of sales have taken place in spite of that is very positive. But clearly, the event is not intended—we are not shipping all these people over there for half a million dollars worth of sales. We are shipping them over there to form trade relations with business and potential business partners so that there is a downstream long-term effect in terms of sales. The 500,000 aren't the right measure for evaluating the success of the event.

Mr. **Ireland**. I would suggest that you not write it up in your testimony as being a success story. It hasn't been. The same thing applies to the community efforts that I am talking about. They are casting bread upon the water, too. I might add—how many small businesses were involved in that trip?

Ms. **Ryan**. They are all small businesses.

Mr. **Ireland**. They are all small.

Ms. **Ryan**. The Matchmaker Trade Delegation——

Mr. **Ireland**. The last trade mission led by Secretary Verity, how many small businesses were involved in it?

Mr. **Czinkota**. The Market Japan? You mean the Market Japan mission?

Mr. **Ireland**. Yes; how many small businesses?

Mr. **Czinkota**. I believe the majority of them were small- and medium-sized businesses.

Mr. **Ireland**. I think you need to go back and check. Could you provide a list for us? Check your list because I don't think there was much in the way of small business.

Chairman **Sisisky**. I don't mean to be talking for my colleague, Mr. Ireland, because obviously nobody needs to talk for him. But, Ms. Ryan, I want you to understand something. It wasn't a personal question and it wasn't an idle question he asked about your background.

Mr. **Ireland**. That is right.

Chairman **Sisisky**. Only last week in this hearing room we found an agency of this Government that promulgated rules for 4½ million small businesses, and when I asked the agency representatives the question about their background, whether they ever worked in a small business, whether they ever had a small business or any part of a small business, the answer was no. They promulgated rules for 4½ million small businesses. So that question wasn't personal to you.

Ms. **Ryan**. I didn't take it personal. Thank you, Mr. Chairman.

Chairman **Sisisky**. I want you to understand that. It is something that we are trying to get in our minds things that are happening, that people do not understand the small business community.

Let me ask this specific question, Ms. Ryan. SBA, Eximbank, AID, and OPIC have statutory or administrative requirements to allocate a percentage of their financial assistance to small businesses. What attempts has the US&FCS made to increase or facilitate exports through the use of these set-asides, and are these formal coordination agreements between US&FCS and these agencies?

Ms. **Ryan**. We have Memorandums of Understanding between most of those agencies and ourselves, and part of the job of the district offices is to counsel small-sized, medium-sized, and large businesses but for the most part we really do work with the small businesses and the medium-sized businesses on the kinds of opportunities that SBA has, OPIC has, Eximbank, AID, et cetera, in the area of financing and any other assistance that they might be able to provide. That is the bulk of what our field service does is this counseling function.

Chairman SISISKY. Can you give us an example of where US&FCS has coordinated with one of these agencies to facilitate U.S. exports?

Ms. RYAN. Yes; one example is the Matchmakers that we have been talking about. Matchmakers was conceived a few years ago by the US&FCS. The SBA saw it as a wonderful opportunity to involve small businesses and as such decided just very recently, in the last year, to provide a few hundred dollars for about 10 participants per delegation to encourage small businesses to——

Chairman SISISKY. How much would you be doing?

Ms. RYAN. Stan, I think it is $300?

Mr. PARRISH. We participate to the extent of $300 for 10 small businesses on 10 Matchmaker trips we did last year, and we have committed that to next year.

Ms. RYAN. They are committing it this year, so it lessens the burden a little bit on the small businesses, gives them a little more incentive to go ahead and participate in these delegations. Three hundred dollars isn't a lot but it is enough to say we are out there and trying to help you. We have no subsidy program whatsoever in the US&FCS to facilitate small businesses taking a part in trade missions or anything else. We don't have that ability, but we do look to the SBA and others when those opportunities arise to take advantage of them.

Chairman SISISKY. How would you describe the accomplishment of your agency's Federal-State partnership program?

Ms. RYAN. It has been very successful. As our resources have decreased and depleted over the last couple of years we have looked to our other agencies as well as State governments, local governments, the private sector, not-for-profit organizations, the Chambers, to help us out in doing our job. One of our biggest allies are the States. In the last few years they have gotten extraordinarily involved in international trade both by opening up offices overseas and by putting special offices inside their own State governments. So it is to our benefit and their benefit to share our resources, to cross train and to work together so that we don't duplicate resources and opportunities for the business community. But we play on each other and complement each other.

Chairman SISISKY. Will this program be expanded?

Ms. RYAN. Yes; right now we have agreements with every State that has an international trade office, and we are formalizing with the National Association of State Development Agencies pilot programs where we work very closely, and have signed agreements with certain States. Right now I think there are 16 or 18 States that are involved, where we specifically say we will do this, you will do this, we will collocate together, we will train your people, whatever it is that happens to work best in that State. So we are doing a lot in that regard.

Chairman SISISKY. Mr. Slaughter? Andy?

Mr. IRELAND. Thank you. I don't know, Doctor, whether you were here when the gentleman from Logos testified, but let me read to you something. His business is one that provides language translation. It says, "Logos sells a product that solves the problem of many foreign governments * * * that is, communication in nonnative languages * * *" and you have referred to that. Every other person on the panel has referred to it as that is our big problem, the language thing. So it is important here as well:

> We have been approached and in several cases had development work funded by government bodies of Belgium, Canada, Switzerland, and Italy. In the case of Belgium, it was a national priority for them to partially fund the accelerated development of our German-French language pair. The Canadian Government is currently in the second year of its pilot program and we are discussing government-funded language pairs for development.

They have formed a consortium in Italy that relies partially on government funding to do this.

Nothing has happened there—is our Commerce Department—I am not saying you ought to be funding it, but we don't seem to be aware of that, aware of need of it. They are trying to disseminate information about it. Where is Commerce? I guess this is the first time you have heard about that.

Mr. Czinkota. First of all I would fully agree with the importance of the whole language, cultural awareness. Please do keep in mind that we at the Department of Commerce are primarily, in terms of our printed materials, working on helping U.S. exporters, so that is why our printed materials are in English, aiming at that target audience. Now whenever we put together a trade mission, our trade mission leaders have a checklist, and a very important component of that checklist is to go over with potential participants the materials they are planning to distribute in the foreign market once the mission goes there, and to encourage them quite strongly that it makes a lot of sense to have that material translated.

In addition, our district offices work very closely with universities which have translation capabilities, and in many instances those are made available at low cost or even no cost to help firms in their translation task. But we, in the Department, do not have an office which furnishes ongoing translations for brochures of exporters.

Ms. Ryan. If I can just add to that. Overseas, when a catalog or brochure or what have you by a company is being put forth in the French, for example, market, our post overseas will make sure that they are able to get that translated. If we can't do it at post at a cost recovery basis, we will go ahead and get them someone to contract it out, so we make sure that the business community has access both to translation services, personal services, so that when they go to a meeting they can have someone at their side who can communicate for them or someone who can go ahead and translate whatever they need translated into the local language.

Mr. Ireland. Can you suggest why—Canada operates quite similarly to us. Why are they so interested in it and we aren't?

Mr. Czinkota. In our countries governments decide to expend their funds in certain areas which we have not decided——

Mr. Ireland. How many now in the Foreign Commercial Service—Ms. Ryan, people stationed overseas, how many of them are fluent in the language of the nation in which they serve?

Ms. Ryan. Quite a few. We have what are called language-designated posts, and we work that out with the State Department and other foreign service agencies as to which posts you might be language qualified by the Foreign Service Institute in order to be able to be stationed there. So any officer at a language-designated post does speak that language.

Mr. Ireland. How many of the posts are language-designated?

Ms. Ryan. I don't know, but I can give you that figure.

Mr. Ireland. Could you give us a rundown on the language-designated posts out of the total number, and then in the other posts how many of our people in the Foreign Commercial Service, since language is so important, are language qualified where they serve?

Ms. Ryan. Absolutely.

Chairman Sisisky. How many foreign service officers do you have?

Ms. Ryan. The American officers, we have 151, and then we have about 450 foreign service nationals. My second point was that we do employ foreign service nationals in these countries, in just about every country on every post that we have would have someone who would speak the language and would be a native of that country. I would be happy to provide you with that information because I am very proud of our language qualifications.

Chairman Sisisky. Is that number enough—151? Is that enough people?

Ms. Ryan. It is way under what we have been in the past and what we think we should be.

Chairman Sisisky. How high were you?

Ms. Ryan. At different points we have been up into the 1980's, and we are authorized for approximately 200 American officers.

Chairman Sisisky. If trade is a priority, then why are we——

Ms. Ryan. We can't afford it, Congressman. We are doing the best we can, and we are trying to do as much as we can overseas given the kinds of things that other agencies and States are doing domestically.

Chairman Sisisky. So, it is priority that you——

Ms. Ryan. Our priority is to do as much as we can overseas with our limited resources.

Mr. Ireland. Have other parts of the Department of Commerce been reduced as well?

Ms. Ryan. Yes; they certainly have. I think that has been throughout the agencies. I am happy to say, as far as U.S. and Foreign Commercial Service is concerned, when ITA does receive its budget they try to hold the overseas part of our operation as harmless as possible.

Chairman Sisisky. The bewitching hour of 12 noon is here. We do appreciate all of you appearing. Hopefully, we will be able to call you back as we progress with these hearings next year. Thank you so very much for attending.

Ms. Ryan. Thank you.

Chairman Sisisky. The hearing is now adjourned.

[Whereupon, at 12 o'clock noon the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

IBAC International Business Affairs Corporation

1511 K Street, N.W. Suite 825
Washington, D.C. 20005
(202) 347-0966 Fax: 347-0969

TESTIMONY OF
RICHARD BAROVICK, INTERNATIONAL BUSINESS AFFAIRS CORP.
HOUSE SMALL BUSINESS COMMITTEE
SUBCOMMITTEE ON EXPORTS, TOURISM, AND SPECIAL PROBLEMS
Tuesday, October 4, 1988

I appreciate this opportunity to participate in your hearing on what government can do to support expansion of small business exports. Our company, International Business Affairs Corporation, is a Washington-based publishing and information services firm focusing on international business. We publish **WASHINGTON EXPORT LETTER**, which is designed for small business exporters, **EXIMBANK LETTER**, which covers export finance, and **INTERNATIONAL TRADE AND INVESTMENT LETTER**, which is aimed at major corporations. We provide information services on the same subjects we write about, and I serve as the Executive Director of the National Federation of Export Associations, which represents the export management company-export trading company industry. The Federation has a grant from the Economic Development Administration to "matchmake," that is, to facilitate contacts between trading intermediaries and small and midsized manufacturers of exportable products, services, and technologies. All of the companies represented by the Federation are small businesses.

I would like to comment on two general issues. First is the role of the Small Business Administration in supporting export expansion. Second is the need for more understanding in Congress on broader policy impacting the ability of smaller companies to export.

The Small Business Administration has been expanding its activities in the export field considerably in recent months. Exporting clearly is now a priority subject at SBA, and the Office of International Trade has experienced a dramatic increase in staff and in the level of activity. It is my impression that, because of the new window of opportunity for American exports, and because of the small business title in the Omnibus Trade Act, that SBA is searching for an enlarged role. I would like to make a few suggestions for that process on three activities -- export finance, export trading companies, and export information.

On export finance, much has been written and said about the withdrawal of many U.S. banks from the field. The major money center banks in New York clearly have pulled back in most cases, having been hurt by bad loans in the Third World and being pressured by banking deregulation to focus increasingly on profitability and stock prices. And a number of regional banks have also withdrawn from the field, mostly because of the foreign political risks and low returns of export finance.

However, there is another side to the picture. Some regional lenders have remained in the field, and others have returned. In Boston, for example, BayBanks and Multibank International, which work with small and midsized exporters, maintain active export finance programs. State Street Bank has recently launched a forfaiting program, a medium-term financing technique developed in Europe. These lenders see export finance as a market penetration method. Some regional banks are using export finance as a method of interstate expansion. In Birmingham, Alabama, for example, SouthTrust Corp., is moving into several other Southeast states, and trade finance is one of the staples of its business in these places. Even Bank of America, which had focused mostly on import finance in recent years, has set up a marketing unit in California to develop some export operations.

Foreign banks now do a lot more of U.S. export finance, often as a method of penetrating the U.S. business market. While most of them focus on larger companies, a few work with smaller exporters. In New York, for example, the local branch of Banca Nazionale del Lavoro, a large Italian institution, specializes in small business exports. Its Vice President-Trade Finance, Alfred Daiboch, actually counsels small firms on filling out their applications for bank credit and for Export-Import Bank facilities. His bank receives a counselling fee for such services, as well as the interest income on the credits it extends.

In searching for a role, the Small Business Administration need not look very far. Models are easily available at the U.S. Export-Import Bank and in state and local governments, where export finance programs are sprouting up steadily.

The U.S. Eximbank offers a working capital guarantee program, through which it works with small exporters and banks throughout the nation in putting together the credit required for a company to purchase the products or components it needs to fulfill its export order. Eximbank has been offering this program for the past four years, and it is the hottest program in town. Levels of activity keep climbing, and the geographic distribution of exporters and banks is impressive. Eximbank has other programs for small business, but this one is almost identical to SBA's Export Revolving Line of Credit facility, so the comparison is worth considering.

One important lesson in Exim's operations is worth noting. It alone among the three U.S. export finance institutions -- the other two are the Agriculture Department's Commodity Credit Corp. and SBA -- has seriously cultivated close working relations with banks all across the United States. Exim has long regarded those links as a critical element in its ability to deliver its financial services. Eximbank officials really care about maintaining and building those valuable relationships, and it makes a big difference.

Among the states, about fifteen are now at some stage of development in export finance, and another ten or so are in an earlier exploratory period. Each month, another state gets into the business. Within the past three months, for example, Arkansas and New Jersey have launched programs. The future SBA strategy might be based on two state programs, since they offer two significant patterns. One is the California Export Finance Office, which has a working relationship with SBA already, the other is the Export Assistance Center of Washington, in Seattle.

The California program is a lot like the Eximbank working capital facility, by helping to finance small exporters in pre-shipment operations, that is, the purchase and assembly of inventories for export purposes. The California unit assumes the domestic risk, the exporter's ability to perform on the export contract, and usually relies on Eximbank's Foreign Credit Insurance Association for insurance cover on the foreign repayment risk. Several other states are developing a comparable program.

The Washington state program focuses on helping the exporter to learn the techniques of export finance, shop around for available banks, structure financing packages, process applications for Eximbank programs, and working with local banks.

In developing its export finance program further, SBA therefore has two roles to pursue. One is to use its guarantee authority, a valuable capability, either with banks directly, or in conjunction with Eximbank and the state and local governments. The second role may even more important, that is to perform the same job that the Washington state Export Assistance Center does. Given the huge workload and inadequate budget facing Eximbank, spreading the decision-making process out to the field is vital, and SBA may be able to play a vital part in that process. It can do this in conjunction with local government agencies.

On export trading intermediaries, SBA can take a look at what the U.S. Commerce Department Office of Export Trading Company Affairs now does. The Commerce unit promotes all kinds of trading intermediaries, through distributing information on the role of export trading companies and export management companies, and through trying to match up manufacturers and traders. It publishes a directory of trading intermediaries and has begun to work with state governments in distributing its information.

Our National Federation of Export Associations performs in similar fashion, getting the word out on trading intermediaries and developing a computer-based directory of the exporters in our group. We will work with Commerce in getting that information out to state and local governments and to industry associations. It would be helpful if SBA did the same, and that activity was envisioned in the 1988 Omnibus Trade Act.

Trading intermediaries offer a choice, an alternative to smaller firms. The latter can either develop exporting on their own or through use of a professional intermediary. The export management and trading companies usually perform as the export department of smaller manufacturers, and are paid either on a commission basis or through taking title to the goods and earning a profit on their sale. The latter technique is used increasingly.

Trading intermediaries offer a valuable national resource, and it would be helpful if SBA promoted their use, and attempted to match them up with smaller companies that could use such services.

On export information, SBA has recently been participating in the creation of some excellent materials. The "Exporter's Guide to Federal Resources for Small Business," initiated by the Interagency Task Force on Trade led by Eximbank Director Simon Fireman, is a valuable directory of U.S. programs and the addresses and phone numbers of the key players. Other such products are in the works.

My suggestion is that, given SBA's valuable nationwide network of offices, it should focus on distribution of information products created by others, such as the Commerce Department, state governments, and private organizations, rather than attempt to create fresh publications and data bases. The "Exporter's Guide" is an exception, however, that is a valuable contribution of SBA.

My second topic is how your Small Business Committee can help the smaller exporter by getting the word out in Congress on policy matters that have great impact on smaller exporters. You took the lead in adopting the statutory basis for Eximbank's small business role in recent years, and there is a real need for you to do the same in other policy spheres. I would like to mention two.

First is the issue of available resources. The Eximbank administrative budget is seriously inadequate in face of growing demand for its services and in light of the expanding volume of applications by smaller exporters. The latter is the result of Exim's "direct access" policy whereby an exporter can now apply in many situations that in the past were handled by banks exclusively. This wider window for smaller exporters could be very helpful, but it is also quite a burden for Exim. Spreading the decision-making process out to the state and local governments will help, but having an adequate budget itself would be more important for Exim.

The Commerce Department's export promotion budget is also being squeezed. Commerce's district offices across the U.S. lack the funds to buy the local newspapers, which are paid for by the staff. And Commerce's travel budget, like Eximbank's, is restricted. This can only produce problems in delivering the services that are required by smaller exporters.

A second current issue is the tax treatment of exports. The 1986 tax reform law penalized the treatment of banks' export interest income. This was a most unfortunate development in light of the urgent need for export finance resources. I would like to suggest that the Committee examine the subject.

I appreciate this opportunity to meet with the Committee and would be happy to work with you on any of these issues. The National Federation of Export Associations will do whatever it can to work with you as well.

Statement
of
John C. Rennie, President/CEO
Pacer Systems, Inc.
900 Technology Park Drive
Billerica, Massachusetts 01821

before the

U.S. House of Representatives
Small Business Committee
Subcommittee on Exports, Tourism and Special Problems

concerning

"Small Business - Obstacles to Exporting"

October 4, 1988

on behalf of

National Small Business United
(NSBU)
1155 15th Street, N.W., Suite 710
Washington, D.C. 20005

Mr. Chairman and Members of the Subcommittee:

My name is Jack Rennie, President and CEO of Pacer Systems, Inc., an aerospace/defense company with headquarters outside Boston. Thank you for inviting me to testify today. The topic for the hearing, concerning how we can get more small businesses exporting, is an extremely important one, a subject deeply relevant to America's future economic stability and global competitiveness.

I am submitting this statement today on behalf of National Small Business United (NSBU), a national organization concerned with small business' future in trade. My own company has been exporting since 1977; so I can bring some firsthand experience as well. I am former Chairman of the International Trade Committee of the Smaller Business Association of New England (SBANE), an NSBU member group.

I am also author/editor of EXPORTISE, a unique international trade sourcebook specifically written and designed for small business executives. And I have become so convinced of the business potential overseas, that I have been an active advocate nationally for some years, promoting small business participation in trade. Most recently, I was a member of the National Commission on Jobs and Small Business and was principal author of the trade-related recommendations in its Report "Making America Work Again".

The Problem

It has been recognized for some years now that the U.S. had a trade problem. Even before the dramatic trade deficits of the 1980's, we heard statistics that signalled that we had a severe weakness...during the mid to late 1970's, several studies by the Department of Commerce and others came to the same conclusions: More than 80% of our manufactured exports were being supplied by about 250 companies.

250 companies! The same studies said that there were easily 300,000 firms nationwide that had exportable products. Of those 300,000 only 25,000 were exporting at all!...and one percent of them were supplying nearly all our trade in manufactures!

So, it has been evident that we've had a problem. But little was done about it. As a result, when a number of those 250 suddenly found themselves no longer competitive in world markets in the 1980's, the U.S. share of international trade plummeted...we lost market share in virtually every industrial sector.

Now, newly sobered, I hope that this hearing and others like it, Mr. Chairman, will wake public policymakers up. It is not only important for the nation as a whole, but for the small business sector of our economy.

International Trade now accounts for about 22% of our Gross National Product (GNP), according to the Federal Reserve. By 1995 it is expected that trade will be about 35% of GNP. If small business does not participate in that growth in trade in a significant way, its contribution to GNP will continue to decline...meaning that imports will put a lot of firms out of business; and small business' political clout will decline as their job-generating capacity shrinks.

So, this is a major problem...for the Country and the small business sector.

Over-Arching Themes

Before I turn to the specifics of why small business hasn't been active in trade, allow me to list three important background themes we should keep in mind when we think about solutions to our problem:

- The underlying reason we do not do better in trade is that trade does not have a high priority in this Country.

  Laws are passed, regulations written, policies announced with great fanfare. But after the initial excitement we allow the bureaucracies to take over and blunt the thrust of these actions...overcomplicated paperwork, overly protective technology transfer restrictions, overly zealous restrictions on trade practices.

  We are the only advanced, industrialized nation in the world without an equivalent of a Department of International Trade.

- Improving our exporting is a long-term process.

  Americans are overly focussed on near-term results. This has hurt us badly in many ways. One is that our trade promotion activities are mostly oriented to get quick increases in exports which can only come from larger companies already involved with trade...not small firms.

  The solution to our trade problems in the long run will be found not in "quick hits" but on the slower, methodical and less glamorous effort to energize our small and medium-sized companies into international markets.

- We must understand that we are unique in the world in that our large, uni-cultural domestic market is a disincentive to go offshore.

Probably the only reason we have 250 companies involved in exporting is that most of them at some point in the past reached a more or less stable domestic market share and looked to overseas markets for growth.

It is easy to see that that is seldom the case for a smaller American company. Most companies here are founded on a domestic market premise...and few smaller firms have saturated that market. So the CEO's decision regarding whether he/she wants to get into trade is quite different from a counterpart in the U.K. or Germany. Here, the question is, "Should I expand to western Europe or to Arizona?" Guess what..."Arizona" wins most of the time.

Three "Stoppers" for Would-be Traders

In the twelve years or so that I have been actively promoting small business exporting and talking to small business executives from around the Country, three "stoppers" keep coming to the fore:

- Lack of incentives
- Lack of education
- Lack of market information

Allow me to address each of them briefly.

Incentives. I already mentioned the base decision a U.S. small business executive must make before entering trade. So when he/she is approached by an activist and asked to get into trade, the executive retorts: why? A good question, Mr. Chairman, and a very difficult one to answer.

The fact is that we have no incentives for smaller or medium-sized firms to get into trade.

Oh, from one businessperson to another, I can suggest what I call "soft incentives"...broadened customer base, countercyclic hedge against the U.S. economy, lengthened product life, perhaps even higher profitability after awhile. But there are not hard incentives. The only pale attempt is the Foreign Sales Corporation (FSC). But it really doesn't help that much, and certainly not for a company exporting under $1 million a year.*

So, there's the first "stopper". We cannot at this time convince most small business executives with exportable products why they should even try.

Unfortunately, Mr. Chairman, this is one of the few areas where it is very difficult for the small business community to suggest answers. We could...and have...suggested various tax incentives, subsidies and the like; but this is an area where a suggestion must not only make sense and comply with U.S. law, but also must be acceptable under the GATT rules. Most of us do not have sufficient expertise to know both systems, so we must rely on trade experts.

The important point is, we'd better think up something; because until we do, I don't think we'll make much headway with the problem. This should have high priority in everyone's thinking.

Education. Implicit in the small business executive's hesitance to opt for trade is a suspicion that exporting involves a lot of complexities and risk. When a few "horror stories" are thrown in, "Arizona" looks better and better!

Well, of course, there are some complexities in trade and a certain degree of risk, but I feel the real problem here is that most small business executives lack any kind of understanding of international undertakings. If you couple this with a lack of inter-cultural experience and a feeling that trade will add considerably to the CEO's work agenda, even a good incentive may be defeated!

It is most important, therefore, that every resource we can muster, at Department of Commerce/ITA, at the Small Business Administration and SBDC's, in the private sector and other places such as EXIM Bank be brought to bear to provide the widest possible dissemination of this two-part message:

- Exporting is not as complicated or risky as it may seem, provided you learn something about the process; and

- There are a large number of private and public organizations available to help the new-to-export CEO.

By dispelling perceived "barriers" and complexities and downgrading the burden of all the work falling into the CEO's lap, the international marketplace becomes much more accessible and acceptable to the small business executive.

There is also a perception that you are either not in trade at all, or you are into it "up to your neck". Not true, in my experience. Many companies never get past the "getting your feet wet" or casual phase, wherein only a little of the simplest trade transactions are taken. Next a company moves to what I call the "opportunistic" stage, where inquiries and orders are handled individually but there is no organized marketing or sales effort. Many exporters remain in this modus operandi for years. Finally, a company moves to the "institutionalized" phase where networks of representatives are set up, etc. At each phase, the company can move quickly or slowly, depending on its constraints and goals.

So, this is an area...education... where we can do a lot. EXPORTISE is such an effort. Over the years, we've worked closely with ITA, SBA and others in New England to make a contribution in this area. The SBANE- Massachusetts Port Authority Small Business Export Program is another example. That's how I was introduced to trade; it was so successful it was used as the model during formulation of the Small Business Export Enhancement Act early in this decade.

Market Information. The third most difficult area for smaller firms is to obtain timely information concerning the needs and requirements of potential customers overseas. Even where language is not a problem (and it often is), there are few ways an American small business can get good marketing information in sufficient time to prepare a responsive bid.

The U.S. and Foreign Commercial Service (US & FCS) under ITA is potentially the greatest marketing information-gathering force in the world. We must make more of its capabilities. Most importantly, government agencies with this information must not be repositories! Instead, ITA and others should spend considerable effort disseminating these data throughout the country and attempting to match requirements with companies. Overseas customers don't know where our capable smaller companies are...and our companies don't know who the potential customers are, or what their needs are. That's the gap we need to fill.

In that connection, Mr. Chairman, I feel that SBA can be a big help to DOC/ITA, AID and other such agencies by helping the outreach to the small business community...making the "connection" so vital to eventual sales.

So, again, I'd reiterate the three areas inhibiting most smaller firms from entering trade: lack of incentives, lack of education and lack of timely marketing information.

Penalizing the Players

Well, let's assume that, for whatever reasons, a company decides to get involved with exporting. The CEO sees potential for his/her company's products/services overseas, becomes aware of and uses the many sources of assistance available and obtains information adequate to allow the company to realistically compete. What kinds of problems does such a firm encounter at this point?

Now we begin to get to more specific "barriers" that tend to discourage trade:

- "barriers" getting goods/services off-shore; and
- "barriers" getting goods/services into the customer's country

It is my opinion, Mr. Chairman, that from the small firm's point of view, the more serious "barriers" are in getting the product off-shore, not the more traditional "trade barriers" discussed in GATT negotiations and other trade discussions.

If a small firm encounters severe barriers getting into a country, it will simply ignore that country and go elsewhere, sensing it does not have the power to fight it and is disinclined to do so anyway. As a matter of practice, it is highly unlikely that a small firm will reach the point of concluding a sale with an overseas customer only to find out that a "barrier" will stop the sale. It happens, but usually the "barrier" arises earlier in the transaction and is either overcome or kills the deal.

As an example, right now my company is involved with a procurement in Canada. The requirement of the Canadian government was generated because of a unique ship stability system Pacer has developed. We expected them to purchase a couple of systems for test. Instead, when the tender offer came out, it requires 75% Canadian content, virtually requiring us to hand over our proprietary product (which is patented in Canada, by the way) to some Canadian company. Now, I was co-chair of a national effort to promote the new U.S.-Canada Free Trade Treaty; but we are seriously considering no-bidding this procurement...a procurement stimulated by our own product which we have spent considerable funds developing over the last five-years. Not the "free-trade" spirit.

But the obstacles small firms encounter here are not only more pervasive, but are things we can correct, so allow me to mention a couple:

- o Export controls - We need export controls; few would argue that point. But the extent of the controls and especially the unpredictability of the process is a problem. A firm can inquire of ITA ahead of time about the likely license status of a sale, but cannot get a satisfactory answer. "Make the sale and tell us the deal and then we'll be able to give you an answer", they say.

  But how can I interest a small firm in attending a trade mission to China, if there is no way to ascertain in advance whether it will be allowed to ship its goods if a sale is made?

- o Unallowable Costs - In mid-1986 the U.S. Government issued new procurement regulations which made all costs associated with overseas sales and marketing "unallowable", that is, not recoverable as legitimate costs of doing business in government contracts. This is a severe disincentive to trade for smaller aerospace/defense companies, most of which contract with the government, because these costs now must be charged directly against profit.

  The illogic of this move was underscored when within the last year, costs associated with certain trade shows were made allowable...frankly allowing large firms to attend the Paris Airshow, for example, as an allowable cost.

  This decision must be reversed.

These are examples of the types of things that really act as "barriers" to trade, in my view. Most of the perceived complications can be overcome with some education, as I indicated earlier. But these require action to reduce the penalties for those that do want to get into trade.

Making the Most of Existing Programs

In your invitation letter, Mr. Chairman, you asked us to access existing programs offered by the federal government and states.

My feeling is that the difficulty is not so much the programs themselves, but that the majority of the small business community does not know they exist and therefore do not take advantage of them, or do not take them into account when they are assessing their trade potential and interest.

How many times have I seen CEO's eyes light up when I explain the availability of insurance under the Foreign Credit Insurance Association (FCIA)?

NOAA's National Marine Fisheries Service and the help it offers is largely unknown to small fishing firms.

The capabilities, in fact the very existence of Export Management Companies was unknown to 19 out of 20 actively exporting companies in a survey taken of small firms.

The wealth of information provided at low cost by the Commerce Department/ITA in its Foreign Economic Trends (FET) series and Department of State's Background Notes is seldom known by would-be traders.

And on and on....

So, I feel that fault lies not so much with what is offered (although I'm sure many programs could be improved), but that the agencies are too passive in the promotion of them. It is not enough to merely make the programs available; the agencies must actively market them to the small business community.

Conclusion

So, in conclusion, Mr. Chairman, let me reiterate my overall themes:

- The U.S. desperately needs to get small and medium-sized companies into exporting;
- The small business sector will be severely hurt if it does not become a bigger factor in trade over the next five years;
- To get smaller firms in, we must create real incentives, actively promote education and help provide timely marketing information; and
- Once we have firms interested, we must make sure we minimize the obstacles to getting offshore and ensure that those programs in place to help are actively marketed to the interested companies.

Thank you, Mr. Chairman. I would be pleased to answer questions.

STATEMENT OF
THE HONORABLE JOHN A. BOHN, JR.
PRESIDENT AND CHAIRMAN
EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON EXPORTS, TOURISM AND SPECIAL PROBLEMS
OF THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES

OCTOBER 4, 1988

Mr. Chairman, Members of the Subcommittee:

It is a pleasure to appear before the Export Subcommittee of the House Small Business Committee. The issue you are addressing today -- the barriers small business face in the international market -- is a critical issue for U.S. firms. It is also a critical issue for Eximbank, as our mission for the past 54 years has been to help American companies get the financing they need to sell their products overseas. I appreciate the opportunity to present Eximbank's perspective on this matter.

We all are aware that the future competitiveness of the United States and our success at diminishing the trade deficit depend in large part on the international competitiveness of America's small and medium-sized businesses. They are the ones that have the most to offer, as well as the most to gain from today's export market. Much of the United States' recent export increase has come from firms with less than $400 million in annual sales. Soon, the U.S. could find that its exports, like those of West Germany and Italy, depend as much on small firms as on large.

We are also aware of Eximbank's reputation as an organization that in the past benefited only the largest exporters in our country. It is a reputation that Eximbank does not deserve. In fact, one of our highest priorities in recent years has been assisting small businesses who want to tap the export market. Eximbank helps small businesses get export financing they would not otherwise be able to obtain and we educate them on how to use the financing programs we have available.

It has been a year and a half since we made significant revisions in our trade finance programs. That overhaul produced programs that are more accessible to all businesses, especially small and medium-sized firms. It also streamlined and simplified the process of using our programs.

In the first 11 months of fiscal year 1988, nearly 28 percent of our authorizations -- $1.7 billion out of $6 billion -- went to support small businesses. That is close to three times more than the 10 percent Congress requires Eximbank to set-aside for small business, and it is higher than last year's 24 percent small business authorization figure. Of the 1,309 transactions we approved in the first 11 months of 1988, 802 of them involved small businesses. That represents 62 percent of our transactions. Clearly, small business is big business for us.

One of our most successful programs aimed at small businesses is our Working Capital Guarantee Program. Under this program, Eximbank provides loan guarantees that enable firms to borrow the working capital they need to secure and fulfill export sales contracts. Since we launched the program in 1983, we have helped 161 companies get the working capital they needed to buy raw materials, meet payrolls and produce goods and services for overseas sales. Because this is a guarantee program, it does not involve using taxpayers' money for costly subsidies. Instead, it encourages commercial bank lending to creditworthy exporters.

Since the program's inception, we have authorized 218 working capital guarantees totaling $228 million with participation by 161 exporters and 103 banks in 34 states and the District of Columbia. The projects have been as small as a $10,000 loan for an art gallery in Brooklyn to an $11 million loan for a petroleum services firm in Kansas, and the program continues to build momentum. Of all the working capital guarantee cases we have processed, nearly 42 percent of them were in the first 11 months of fiscal year 1988, and nearly 62 percent were in the past two fiscal years.

But those are merely statistics, and they don't tell the human story behind this kind of program. I would like to tell you about the individual successes of some of the small businesses it has assisted.

Elwood Hydraulics Co., Inc. of Oak Creek, Wisconsin -- founded in 1983 by Robert Larsen -- designs and makes press systems, high pressure hydraulic products and electronic systems for industrial applications. In addition to employing its own corps of highly skilled engineers, the company -- through its suppliers -- indirectly supports employment throughout Wisconsin.

Eximbank's Working Capital Guarantee Program has been instrumental in helping Elwood Hydraulics build a presence in tough-to-crack Asian markets. Eximbank has provided two guarantees -- one to support a $7.5 million sale to South Korea and another to support a $1.5 million sale to the People's Republic of China. This business helped the company land a second contract in China -- this one totaling $5.5 million. That's a $14.5 million increase in exports Eximbank helped make possible.

Mertz Incorporated of Ponca City, Oklahoma, a family-owned firm that dates back to 1927, makes vehicles for the energy and agriculture industries. Mertz has earned the reputation for producing the highest quality and the most technologically advanced seismic vibrator trucks in the world. Downturns in the domestic petroleum and agriculture sectors caused sales to decline and forced the company to layoff employees. The firm's management decided to pursue export markets more vigorously, and an Eximbank working capital guarantee helped Mertz win a $9.2 million contract for seismic vibrators in China.

Declines in domestic demand also affected International Petroleum Services, the Kansas firm I alluded to earlier. IPS of El Dorado, Kansas, founded by Richard Teichgraeber in 1970, manufactures oil industry equipment such as drilling and well servicing rigs. It has survived and prospered by aggressively pursuing export sales opportunities. Eximbank's working capital guarantee has played a crucial role in IPS' ability to compete for export sales contracts. Using a revolving working capital guarantee, IPS has fulfilled $14.8 million in contract with Pakistan Petroleum Limited, ONGC in India, Turkey Petroleum Corporation and Katronics Private Limited of Singapore.

Many other firms like Elwood Hydraulics, Mertz and IPS have the potential to increase exports and jobs in the United States. Through our Working Capital Guarantee Program, Eximbank is providing crucial support to these small and medium-sized firms.

Another cost-effective program of great benefit to small businesses is our insurance program, which protects companies against foreign repayment risks. As commercial banks become more risk averse and sources of political risk insurance become fewer, many choose to insure their sales with our insurance arm, the Foreign Credit Insurance Association.

In fact, the majority of all FCIA policy holders -- 71 percent -- meet the Small Business Administration definition of small business. In the first 11 months of fiscal year 1988, we authorized $1.5 billion in insurance for small business, nearly 33 percent of our overall insurance authorization total of $4.7 billion. Of the 960 insurance transactions we authorized during that time period, 697, or 73 percent, involved small businesses.

While most businesses use FCIA's short-term deductible policy, we offer an insurance program for companies that are new to the export arena. Special enhancements are available such as lower premiums and policies for lenders ensuring that they won't be penalized for mistakes made by inexperienced exporters. We now have 135 exporters insured under our new-to-export policies.

We also have developed an umbrella policy that intermediaries such as state agencies, insurance brokers and banks can use to administer policies on behalf of a number of small businesses. A total of 202 small businesses are now protected under umbrella policies.

Another Eximbank effort aimed specifically at small business is our City-State Pilot Project. This project is designed to help local and state organizations access our programs at the grass roots level. As traditional sources of export finance dry up, it is the cities and states that are stepping in, especially to help small businesses. By working with these cities and states, we hope to improve awareness of the availability of our programs among business people who need them. We also hope to develop a new network for Eximbank to tap that will expand our program distribution.

Our partners in this one-year project are the cities of Columbus, Los Angeles, Tucson and Louisville, and the states of California, Maryland and Massachusetts. So far, we have approved five working capital guarantee transactions for a total loan value of $1.3 million and one medium-term loan for an export value of $450,000 that were packaged by cities or states under the City-State Pilot Project. At the present time, Eximbank is reviewing an additional $4.5 million in applications, and our test locations advise us they are processing approximately twenty additional applications that aggregate more than $50 million.

We have set up a $10 million short-term export credit insurance umbrella policy for the California Export Finance Office that gives CEFO the delegated authority to approve individual exporters. By combining FCIA insurance with CEFO's own working capital guarantee program, California can now offer "one-stop shopping" to small exporters. Also, we have granted intermediary lender status to the Los Angeles Local Development Corp., which means LALDC can borrow fixed-rate medium-term funds from us for on-lending to foreign buyers of U.S. goods and services. These special facilities, which clearly have applicability for other cities and states, demonstrate how cooperation with local and state authorities can stretch our limited resources.

Despite our successes in helping small businesses compete in the global market, several barriers persist that make it difficult for them to compete. One of the most critical is the lack of adequate trade finance, particularly for small exporters.

Traditionally, the U.S. exporter has turned to the commercial banking system for trade finance. U.S. commercial banks, however, have backed away from supporting exports to large segments of the globe. More stringent capital adequacy guidelines and loan loss provisions have left banks with little appetite or capacity for country risk. High-overhead export finance is now less profitable than many other banking services.

If a particular bank has not dropped out of trade finance altogether, it usually has limited its support to its best and largest customers only. The processing involved in a $50,000 transaction is not much less than in a $5 million deal, which makes banks reluctant to offer trade finance to small customers. For the average exporter, getting commercial bank financing can be a tough task. For a small, new exporter, it can be nearly impossible.

There's hope however. A commercial bank in Los Angles has approved for the Los Angles Local Development Corporation a $15 million line of credit for working capital loans which may be guaranteed by Eximbank. We believe this innovative facility may show the commercial banking community a way to participate once again profitably in trade finance.

Given the limited resources of Eximbank, this is one example of new approaches taken by Eximbank to assist U.S. exporters. The federal budget deficit is the principal problem facing government today, and we are feeling the effects of that barrier.

In August, we reached our direct loan ceiling for last year's fiscal year. Since that time, Eximbank has opened in several key markets around the world. In short, it will be increasingly difficult for this institution to meet the financing needs of our exporters in the present year.

Congress has set our administrative budget for fiscal year 1989 at $1.4 million less than we had determined would be necessary to carry out our programs effectively. At a time when we need to enhance our ability to help the continually growing number of U.S. exporters who want to tap overseas markets, we are finding it increasingly difficult to do so. With the administrative budget level set by Congress, we will be unable to hire as many fulltime employees as we had requested and permit as much traveling as is necessary to implement effectively our programs. In particular, we will be forced to scale back significantly our city/state program and marketing efforts both domestically and overseas. We are also concerned that service to exporters will suffer with small transactions continuing to increase rapidly without additional resources to process them.

We are making every effort to continue to streamline our procedures, and our staff is performing well under difficult conditions. We are already seeing a back-up in application turnaround time, however, and I fully expect it to increase during the coming year. The projects we are dealing with these days are increasingly complex, even the small ones. They require more time for our loan officers to process and more input from applicants. Those requirements can be particularly burdensome for small businesses that are new to exporting and inexperienced in the complexities of international trade.

One of Eximbank's most effective tools in our city/state program has been the cooperation of state and local governments. Our small staff cannot possibly reach every small business person who is new to exporting and who needs financial backing to do so. If we can mobilize state and local resources to assist in educating the local business community, we can provide faster and easier access to Eximbank programs, especially for small businesses.

State and local governments can help fill the voids that now exist in the availability of export financing for small businesses. Together with the federal government, they can help fulfill our ultimate goal of creating and maintaining more jobs within cities and states by generating more exports and reducing the trade deficit. The resources for this effort will have to come from state and local governments as well as from Eximbank.

Another significant barrier to small businesses in the global market is our reluctance as a nation to recognize and acknowledge that the international competitive environment is directly relevant to our domestic policy process. It affects our ability to formulate policies and carry them out. Conversely, our domestic policy decisions -- or lack thereof -- have an impact on the rest of the world.

We need to bring the international environment into the domestic policy process. The decisions we make on domestic issues do have international consequences. Tax policy does have an impact on our international competitiveness. The value of the dollar in international trade does affect the farmer in Iowa and the hardware store owner in Topeka.

We as a nation must develop a new awareness of the international flow of goods and services and capital. It's not that we've gotten smaller or less important, but that the rest of the world has gotten bigger. We need to equip ourselves to deal with that new world. In a country like ours, dependent for growth on the private sector, government must be attuned to the needs of its enterprises in the international economic and financial arena.

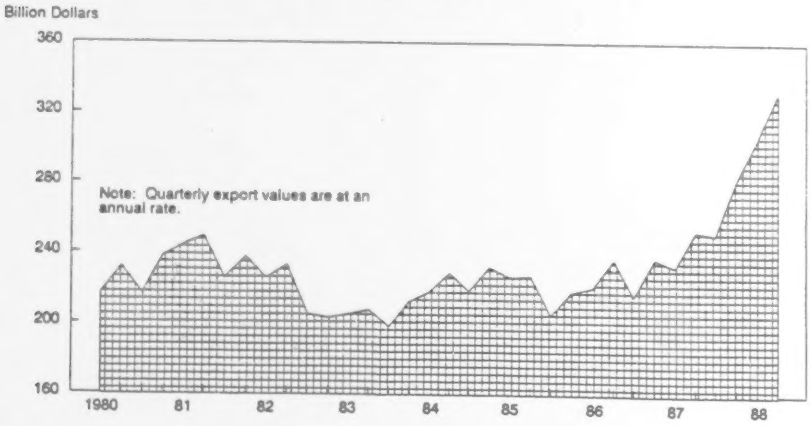
Those, Mr. Chairman, are the major barriers -- from Eximbank's point of view -- facing small businesses in the international market today. Eximbank is now aggressive and innovative in its support of small businesses. We recognize the importance of increasing exports abroad and in creating jobs at home. We are ready and willing to work with you on providing the access to international markets needed by the country's small businesses.

TESTIMONY OF
DR. MICHAEL R. CZINKOTA
DEPUTY ASSISTANT SECRETARY
FOR TRADE INFORMATION & ANALYSIS
U.S. DEPARTMENT OF COMMERCE
BEFORE THE
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON EXPORTS, TOURISM, AND SPECIAL PROBLEMS
U.S. HOUSE OF REPRESENTATIVES
OCTOBER 4, 1988

I am pleased to appear before you today to discuss the obstacles small businesses face when exporting. I am the Deputy Assistant Secretary for Trade Information and Analysis at the Department of Commerce. Joining me this morning is Genevieve McSweeney Ryan, principal Deputy Assistant Secretary for the U.S. and Foreign Commercial Service. Today I will describe for you some of the specific problems small businesses encounter when exporting and review for your Subcommittee some of the programs which we, at the Department of Commerce, have developed or are developing to respond to some of these problems.

But first, let me provide you with some background on current economic conditions. As you know, the U.S. economy is in the midst of an export boom that is leading to a revival of domestic manufacturing. After suffering declines and sluggish growth throughout most of the 1980s, U.S. merchandise exports are now growing rapidly. The current surge began in 1987, when exports reached a record of $254 billion. In 1988, exports are expected to hit $325 billion and the outlook for continued export growth in 1989 is good.

U.S. Merchandise Exports are Booming...

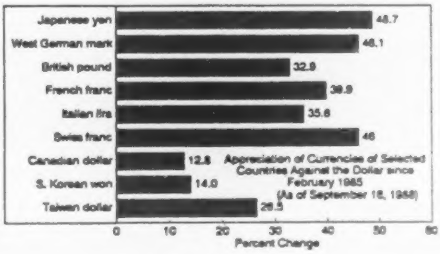


Note: Quarterly export values are at an annual rate.

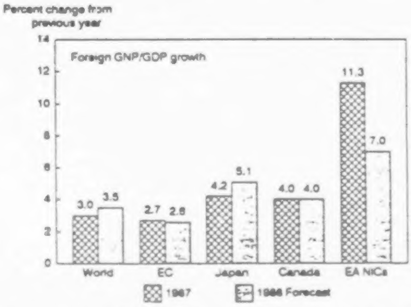
U.S. exports are growing to all parts of the world. Growth, however, is greatest to those countries whose currencies have appreciated the most against the dollar since early 1985. These include Japan and the European Communities. U.S. exports to some LDCs are also increasing but are not yet at their 1981 peak levels. The debt crisis in many of these countries is limiting their ability to increase their imports. However, good growth in other foreign markets is also translating into higher U.S. exports, especially in light of the improved price competitiveness of U.S. exports.

The U.S. Export Boom is Being Fueled By...

Foreign Country Currency Appreciation

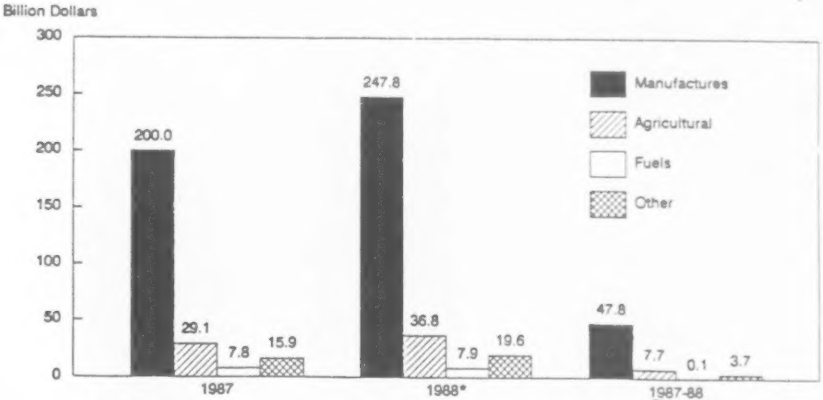


Strong Foreign Economic Growth



U.S. export growth is distributed across all industries, with the greatest increases in manufactured goods: industrial supplies and materials and capital goods, in particular. Due to the high degree of price sensitivity of these products, U.S. manufactured goods producers were able to reclaim lost market share when the dollar's value decreased.

Manufactures Dominate the U.S. Export Boom



*First-half 1988 data at an annual rate.

As the demand for U.S. exports continues to improve, it is our expectation that greater numbers of U.S. businesses will begin to enter the export market. One of the goals of the Commerce Department is to help the transition from domestic company to international marketeer take place. Not enough U.S. companies with the potential to do so export. Previous analysis by the Department of Commerce (in the late 1970s/early 1980s) reveals that: 1) U.S. firms are strongly oriented to our domestic market, 92 percent of all U.S. firms sold only in the United States); and 2) our export trade is highly concentrated (2,000 firms accounted for 70 percent of U.S. manufactures exports.)

Last year, Trade Development undertook a study to learn more about how export performance differs between small, medium and large firms. We discovered some interesting facts. For example, out of the 59,000 manufacturing exporters in 1984, 40,000 were small firms (less than 500 employees). So, we have a large export base of small firms -- in fact, there are twice as many small businesses exporting as there are larger exporters.

However, these small businesses are much less committed to exporting than larger companies. Forty percent of these small firms export less than 1 percent of their output. So a lot of these small business exporters are really only occasional exporters, perhaps responding more to foreign inquiries than aggressively seeking overseas business. Moreover, only 18 percent of small businesses export more than 10 percent of their output, compared with 27 percent for medium and large companies. Therefore, while there are more small businesses than large engaged in exporting, their commitment to exporting is not nearly as great.

I believe tapping that potential can play a major role in improving our competitive position in international trade while stimulating our domestic economy. We must continue to encourage more small businesses to expand their exporting activities. In many instances, small businesses actually have major competitive advantages in exporting over larger firms. For example, smaller-sized firms can customize their operations more easily to more quickly adapt to the special needs of their customers. They can provide clearer lines of accountability since the customer readily knows who to contact in case of a problem, and they can offer better lines of communications since there are fewer layers of management than in a multinational firm. Finally, they can offer shorter response times than the corporate giants, since there is no need to wait for the "home office" to respond. As a result, small business operations are usually more flexible and responsive than the multinational operations of large firms.

Additionally, over the past years, small- and medium-sized firms have consistently outpaced larger firms in terms of employment generation and have been a continuous font of innovation and creativity. Of the 10.5 million jobs created from 1980-1986, small and medium-sized firms (with less than 500 employees) account for 63.5 percent of new jobs, while large firms, with 1000 or more employees, accounted for only 36.5 percent. Finally, based on the corporate life cycle, some of these small- and medium-sized firms will become the corporate giants of tomorrow. Therefore, it is imperative that we encourage these firms to participate in the global market, so they can become the large corporations of the future.

OBSTACLES ENCOUNTERED BY SMALL BUSINESS WHEN EXPORTING

In spite of these advantages, small businesses frequently cite numerous obstacles which hinder their exporting efforts. Some of the most commonly cited obstacles include: lack of export marketing information, excessive export documentation, lack of export financing options, intense foreign competition, numerous foreign tariff and non-tariff barriers, and communications problems. Let me discuss each of these obstacles individually and indicate to what extent they affect the export performance of small business.

Lack of Export Marketing Information. According to small businesses, one of the biggest problems faced by would-be exporters is obtaining the information necessary to enter the export market, particularly information on foreign customers and agents, foreign markets, and foreign demand for their products. Obviously, concrete information on prospective foreign markets is essential before exporting can occur.

The Department of Commerce provides much of this information to any and all companies, primarily through our District Offices. For example, the Agent/Distributor Service identifies up to six foreign agents or distributors who after examining the U.S. firm's literature have expressed an interest in representing it. The Commercial News USA program is a monthly magazine which promotes the products or services of U.S. firms to more than 110,000 overseas agents, distributors, government officials, and end users. In spite of our past efforts, many small businesses remain unaware of Commerce's export services. The EXPORT NOW campaign has been designed to help fill this gap.

Excessive Export Documentation. Many small businesses complain about the excessive paperwork required in exporting. In addition to the cost and time factors involved in complying with various regulations, the documentation is generally viewed as intimidating and confusing and different for each country.

I agree that, where possible, U.S. and foreign exporting regulations should be simplified and standardized. The advent of the Harmonized System should ease this burden to some extent, since a goal under this system is to standardize, as much as possible, the trade documentation required by countries implementing this new tariff system.

Lack of Export Financing Options. Small businesses also complain about the unresponsiveness of the banking community in fulfilling their financing requirements. U.S. banks, these exporters contend, seem generally uninterested in export-related business. Even when banks are interested, their export financing proposals are often uncompetitive in terms of price and other factors.

Available data, although incomplete and sketchy, tend to support these reports from U.S. exporters. U.S. banks have substantially scaled back their export financing activities in recent years, primarily due to the widespread LDC debt problems and sweeping changes in the U.S. financial markets that have weakened long-standing relationships between U.S. banks and U.S. companies. In these economic times, U.S. banks are switching from export financing, which is viewed to be high-cost and low-margin, to more profitable consumer lending and import financing.

There are some bright spots, however. The Export-Import Bank encourages small business to sell overseas by maintaining a special office to provide information on the availability and use of export credit insurance, guarantees, and direct and indirect intermediary loans. Additionally, Eximbank recently launched a new initiative, called the City-State Program, which is primarily a working capital guarantee program for small business. I'm sure Mr. John Bohn of the Export-Import Bank, who will also be testifying before this Subcommittee, will discuss these programs in more detail.

Intense Foreign Competition. Small businesses also contend that they face unfair competition abroad because they are pitted against corporations which are subsidized by their governments. These foreign governments offer preferential treatment to their domestic firms, making it more difficult for U.S. firms not benefitting from such preferences to compete. Others cite lower foreign labor costs as a factor giving foreign companies the competitive edge.

It is true that many foreign governments do subsidize some of their domestic industries. This is an area that the Administration is addressing in the Uruguay Round trade negotiations currently being conducted in Geneva. The Administration believes very strongly that U.S. companies should not be subjected to unfair competition from abroad and is doing everything in its power to change this situation. Changes will not occur quickly, but instead will take much dedication and determination on the part of our negotiators to remedy this problem.

Numerous Foreign Tariff and Non-Tariff Barriers. Many small businesses cite high foreign tariffs and restrictive non-tariff measures as a barrier to exporting. Although current tariffs are roughly equal among the major industrial nations and relatively low when compared to those of the past, many small businesses still perceive them as being a problem. Most companies recommend that tariffs be equalized to achieve reciprocity.

I agree that in many foreign countries, tariff and non-tariff measures (NTMs) are a barrier to U.S. companies, large and small. The reduction or elimination of foreign tariff barriers, particularly those present in the Newly Industrialized Countries (NICs), is another goal of the Uruguay Round trade negotiations. In particular, these countries, along with other LDCs, generally have much higher tariff rates than developed countries. The U.S.-Canada Free Trade Agreement (FTA), when approved, should be very beneficial to small business, since most small businesses tend to export first to Canada. The FTA will eliminate all tariffs and many non-tariff barriers between the two countries.

Communications Problems. Finally, communications problems, particularly language barriers, are cited by small businesses as an obstacle to exporting. U.S. firms desiring to sell their products overseas generally must deal with a different language in each foreign country. Cultural differences and time delays in receiving communications are also cited as impediments to communication with foreign customers.

Many of the above-mentioned obstacles represent real concerns for our small businesses. They represent some of the key reasons why small businesses in the United States do not participate more fully in exporting. Restructuring the global economic environment alone is not enough to get these firms to become more active participants in exporting. We must tailor our data collection efforts to more specifically identify the export characteristics of small businesses. At the same time, we must provide additional export assistance programs which are targeted directly to small business. Efforts are underway at the Department of Commerce to address these two issues.

EFFORTS UNDERWAY TO IDENTIFY AND ASSIST SMALL BUSINESS

Data Collection Efforts. The Department of Commerce is working to identify and assist small business through new databases.

Small Business Database. The International Trade Administration (ITA) at the Department of Commerce is funding a proposal to be completed by the Bureau of the Census which will develop a database providing information on the characteristics of U.S. exporters. For the first time, this database will provide a complete picture of how employment size, i.e., small, medium and large, affects the level of industry participation in exporting.

The purpose of this database, named the Small Business Database, is to enable the Commerce Department to:

1) support general analyses regarding the extent to which small and medium-sized businesses participate in international trade, including contrasting this with the role and characteristics of large firms in exporting; and

2) focus its export promotion activities on firms with the greatest export potential, especially small and medium-sized businesses.

This database, when completed in late 1989, should be able to address many of our unanswered questions regarding small business. For example, it will provide us with the basis for developing the exporter profile stated as the first purpose of the database. It will tell us directly such factual information as how many firms in a 4-digit industry with a given employment size export and the amount of output they export. Once we have developed exporter profiles, we can examine whether there are any significant differences in exporter characteristics by employment size. We can also derive a profile of non-exporters and examine whether shipment size, location, etc., is correlated to export performance. When we know the industry characteristics of the most promising exporters (employment size, shipment size, possibly location), we can use other directories such as Dun and Bradstreet to generate exporter lists by company name and address of potential "clients" with these attributes.

In addition the database will provide information which will enhance our marketing efforts (the second purpose of the database.) For example, we will be able to analyze whether the typical small exporter in a specific industry exports to only a limited number of markets and thus appears to be a goodcandidate for "new-to-market" promotion programs. Or we can identify what employment size for a given industry offers the most potential in terms of "incremental" exports if its non-exporting companies achieve the average export performance of the exporting companies.

Preliminary data derived from this database reveals that in 1987 there were 90,359 exporters (includes all domestic manufactured merchandise) out of a total of approximately 545,000 U.S. manufacturing and wholesaling firms. This is a much higher figure than previously thought, and suggests that some part of our export boom is accounted for by new exporters, not just increased sales on the part of established exporters. In fact, 17% of U.S. manufacturing and wholesaling firms are now involved in exporting. Later this year, we will have new information on how U.S. exporters conduct their business: the average size and frequency of their export shipments, as well as the number and variety of foreign markets they sell to.

National Trade Data Bank. Additionally, the recently passed 1988 Trade Bill provides for the establishment of a National Trade Data Bank to be managed by the Department of Commerce. The Data Bank would consist of both an export promotion data system, known as the Commercial Information Management System (CIMS), and an international economic data system. The export promotion system will contain information designed to be useful to U.S. companies. Small business should be prime users of this system. The international economic data system will contain information useful to policy makers and analysts concerned with the international economic environment for trade and investment.

Export Assistance Programs. The Department of Commerce is addressing many of the problems facing small business exporters through new marketing assistance programs tailored particularly to small business. Some of these programs are described below:

ETC/EMC Outreach Effort. Small businesses can benefit from the use of trading intermediaries which assume much of the risk of exporting. Export Trading Companies (ETC) and Export Management Companies (EMC) are designed to do just that. Export sales can be expanded by joining together and taking advantage of the ETC Act. Firms that band together can share marketing and management expertise, exporting skills and receive antitrust protection for their joint export activities.

Europe Now. The Europe Now program encourages small firms to take advantage of the high level of growth in the European economies and the 42 percent reduction in the value of the dollar against European currencies since 1985. Furthermore, while the European Community is moving rapidly toward an integrated, barrier-free internal market by 1992, American firms should act now to penetrate one or more European markets and put themselves in a position to take advantage of the EC Common Market of 320 million consumers.

Matchmaker Events. Matchmaker Trade Delegations introduce U.S. companies to new markets through short, inexpensive overseas visits. The objective is to match U.S. firms with representatives or prospective joint venture licensee partners who share common products or service interests. Participating firms have the opportunity to learn the important aspects of doing business in specific countries and to make key contacts. New-to-export companies and companies with annual sales of $5 million or less have found this program especially attractive. The five 1987 Matchmaker events resulted in 500 representation/joint venture leads, 500 sales leads, and more than $500,000 in actual sales.

Comparison Shopping Service. A small-sized firm can request the Comparison Shopping Service (CSS) program to develop a customized market survey for its specific product in a selected country. CSS will provide the firm with concise answers to key questions on its product's overall marketability, the names of competitors, comparative prices, customary entry/distribution/promotion practices, competitiveness and trade barriers. The CSS was launched on a limited basis almost two years ago and is currently available in 15 countries.

"Hot" TOP. The "hot" TOP is part of US&FCS's Trade Opportunities Program (TOP). This is an information program developed from reports of commercial officers around the world. Within 24 hours, the US&FCS electronically distributes these TOP leads to the private sector for their use. A "hot" TOP is a lead of the highest quality with the greatest export potential for U.S. companies. District offices give these leads priority handling and intensive follow-up with firms in their areas.

In addition to these Department of Commerce programs, other government agencies offer additional programs which are designed to assist small business. I'm sure that their representatives at this hearing will describe them in detail.

In conclusion, I would like to stress that, in my opinion, expanding the base of U.S. exporters in the United States is fundamental to our long-term competitiveness. We at the Department of Commerce have already accomplished much to encourage more small businesses to strengthen their commitment to exporting. However, we are ready and willing to do much more. Current efforts to tailor our data collection activities and to focus our export assistance programs are, in my opinion, going even further to address the needs and concerns of small business.

SBA U.S. Small Business Administration Washington, DC 20416

Testimony by Stanley B. Parrish,
Associate Deputy Administrator for Special Programs,
before the House of Representatives
Committee on Small Business
Subcommittee on Exports, Tourism and Special Problems
October 4, 1988

Thank you, Mr. Chairman and Members of the Committee, for the opportunity to speak before you today on an issue I feel strongly about: the future of small business in the export sector of the U.S. economy.

Small businesses are now recognized as the engine which drives our economy. In the past seven years, 17 million new jobs have been created, most of them by the small business community. Small business now employs some 54 percent of the American work force and represents 98 percent of all U.S. businesses. Japan, the world's model for a nation with a successful export-driven economy, also prides itself on its own considerable small business sector which provides 80 percent of that nation's employment.

Despite the fact that in the United States a relatively small percentage of American firms export, we know that many small businesses can and do export. A recent study shows that of 34,000 U.S. exporting firms, 52 percent are businesses with fewer than 100 employees and a full 79 percent of exporting firms have fewer than 500 employees.

In fact, the innovators present in our small business community account for two-thirds of our new technology in products and in services. As they transfer those innovations and new ideas from domestic to foreign markets, they may soon be fully recognized as the engine driving exports in our trading sector.

How, then, can the Federal government help this important sector of our economy become a greater force in increasing U.S. exports and in reducing our trade deficit? Your Committee has raised some important questions. What are the barriers to export for small business? Are the barriers to export perceived or real? What current programs -- State and Federal -- are helping to overcome or lower the barriers? And, what can we in the Federal government do to meet the needs of small business?

What are the perceived barriers to export for small business? I say perceived because most small businesses -- which traditionally grow out of the needs of a local community -- perceive exporting as beyond their reach, difficult and expensive to undertake. The most important barrier to exporting, therefore, is overcoming the problem of perception by changing the particular American mindset that does not readily include thinking beyond U.S. borders.

The Small Business Administration (SBA) Administrator, Senator James Abdnor, has targeted as one of his prime objectives encouraging small business to consider the global marketplace and changing the erroneous perception that exporting is too difficult and expensive for a small business.

Since Senator Abdnor has led the Agency, we have challenged those perceptions with an education and outreach program. We work closely with other agencies, such as the Department of Commerce and the Export-Import Bank; with our well-established networks of experienced exporters, the Service Corps of Retired Executives (SCORE), who mentor new-to-export firms; with our own loan officers in SBA's Office of Finance and Investment; with the Small Business Development Centers (SBDCs) that have International Trade Centers; and with some of the Small Business Institutes. We have recruited current successful exporters from the nation's small business community to speak at various seminars, and we have just completed a series of ten regional International Trade Forums which were co-funded through a private sector initiative with AT&T -- and which, in fact, gave rise to some 600 satellite (smaller and more subject-specific) export seminars. Further, we have financially assisted carefully screened small business owners on Matchmaker Trade Missions with the Department of Commerce to encourage the participation of small businesses.

Why do we feel informational outreach promises one of the best uses of Federal resources to service the small business community? Because we have determined that some of the perceived barriers to export are these:

1) Fear of Exporting: Fear of the unknown and trepidation about a costly first-time experience in exporting to a poorly understood, new market stops some firms from entering the global marketplace. Many firms would rather continue to sell in a known market where they feel comfortable. We use our panel of experienced and successful small business exporters, the SCORE advisors, and the SBDCs, to help dispel the myths surrounding exporting and to guide new-to-export businesses through the thicket of export procedures.

2) Lack of Experience: Export procedures can be daunting: how to get an export license, where to find a freight forwarder, how to select the proper overseas

insurance, whether to use an export marketing consultant or trading company, where to get financing and what kind to get, in which market to first sell your product, and how to deal with foreign currencies. All of these questions can be addressed -- and have been variously addressed -- to a total of approximately 29,000 participants, through our regional and satellite international trade meetings.

3) Cultural, legal and language barriers: Different tastes, distribution patterns, quality control standards, tariff structures, and, in short, differing ways of doing business characterize foreign markets. This may be disconcerting to the small business person who may have no overseas experience. SBA helps the small business owners overcome these barriers by providing excellent, personalized counseling services through SCORE, ACE, and the SBDCs.

To assist with the legal aspects of trade, the SBA offers a service in conjunction with the Federal Bar Association. The Export Legal Assistance Network (ELAN) provides free one-time legal consultations to new-to-export small and medium-sized companies. To help overcome cultural barriers, Matchmaker Trade Missions can be especially helpful. We have seen that, once an initial market has been targeted, we can help ease the small business owner's entry into that market and culture through the exposure and contacts the Matchmaker Missions provide.

Even a seasoned exporter who may be reluctant to try entering a market in a new region can benefit from Matchmakers. The health care firm in Atlanta, for example, has experienced an increase of $100,000 in sales as a result of entering the European market through participation in our joint Belgian Matchmaker Mission which took place in mid-June of this year.

Americans are becoming increasingly aware of the interdependent nature of the world economy. As a nation of 242 million, we have often relied largely on our domestic marketplace to provide adequate economic growth for our businesses. This strategy is no longer sufficient for companies that want to remain viable and competitive. And while manufacturing firms may generally be better suited to exporting than some other types of businesses, no firm should leave its potential for exporting unexplored. If a firm is successful in the U.S., it is quite probable that it can be successful in foreign markets. Here, in fact, a small firm with greater control and flexibility over its operations, may be in a better position to adapt its product or service to the needs of the foreign market, and to find a profitable niche. SBA believes that exporting offers small businesses an excellent way to grow and emerge as more competitive.

According to SBA's Office of Advocacy, by the year 2000, the volume of U.S. international trade will rise from today's 26 percent of the U.S. GNP to approximately 35 percent of GNP. U.S. trade is expected to double to more than $1.75 trillion. Small businesses, traditionally accustomed to a stable, domestic market, will be propelled into the more volatile, international marketplace. SBA's programs are designed to encourage aggressive entry of U.S. firms into this market.

Besides the numerous outreach programs which provide information and guidance, the SBA also helps small businesses by providing pre-export working capital financing through the SBA Export Revolving Line of Credit loan guaranty program (ERLC). Begun by the SBA less than a decade ago, the system of Federally guaranteeing a revolving line of credit for exports is now also shared with the Export-Import Bank. In FY88, the Office of International Trade (OIT) took the initiative to provide introductory training to SBA's loan officers in this type of short-term lending. OIT also collaborated on a pilot program in the State of Ohio with the Ex-Im Bank to run a series of training seminars in Federally guaranteed working capital loan procedures for both small business exporters and commercial bank loan officers. SBA can guarantee up to 90 percent of a bank line of credit to a small business exporter to help finance the company's expenditures related to the export of its goods or services. Since 1979, SBA has offered a total of about $30 million in revolving funds and has guaranteed some $85 million in regular 7(a) loans to small businesses that export.

Our FY89 plans include continued training of SBA employees and selected bankers across the country in both SBA and Ex-Im Bank financing programs.

We have signed a Memorandum of Understanding with the U.S. & Foreign Commercial Service at the Department of Commerce to encourage coordination of efforts between the Department of Commerce and SBA's designated trade officers and those who implement a state's export initiatives. In anticipation of full bilateral approval of the U.S. Canada Free Trade Agreement and in cooperation with the Department of Commerce, we are making available a series of state summary sheets which are geared to each state's trading relationship with Canada. Canada is frequently the easiest market for a first-time exporter to enter and the FTA will further facilitate that trading relationship.

State export development initiatives provide the full range of services to meet the needs of new exporters in many imaginative and helpful ways. Individual state trade representatives are located in selected markets, "sister city" trading relationships have been formed, and a shared foreign sales corporation, such as the state of Delaware offers, permits a tax exemption to participating exporters. California offers a broad menu of choices to exporters and has a well-developed export finance program which guarantees pre-export working capital loans, among other export related financing arrangements.

For each state, SBA's Office of International Trade is drafting state summary sheets which provide broad exporting guidelines tailored to that particular state. The SBA, in conjunction with the International Trade Task Force, produced the Exporter's Guide to Federal Resources for Small Business -- 20,000 copies were first printed in FY88. The guide has been updated and 40,000 additional copies printed because demand for the publication has far exceeded supply. In fact, we are now in our third printing, with 20,000 more copies ordered for the new fiscal year. This publication and several others were undertaken through a partnership agreement with AT&T.

Also at the State level are the Small Business Development Centers. One noteworthy center which continues to produce successful exporters is the International Trade Center at the University of Alabama. The International Trade

Center, created with an SBA grant in 1979, before the advent of an SBDC network in Alabama, is in the initial stages of conducting the Technology Transfer Partnership (TTP). More than establishing joint venture partnerships between companies in the U.S. with companies abroad, TTP is creating a data base network of sources of technology for the purpose of acquiring new technology, diversifying existing companies, increasing the productivity of existing companies and, thereby, increasing their exporting viability, and licensing technology through joint business ventures. This program could enhance the export potential of technology transferred to the small business community from the various business incubators located throughout the nation. This university/Federal/State axis is especially important because research at the university level is now being more easily transferred to the local community for commercial use by small business entrepreneurs. The U.S. comparative trade advantage remains in high tech products and services. Today's innovation is tomorrow's export.

Keeping in mind the trio of both real and perceived trade barriers -- fear of exporting, lack of experience, and cultural, legal and language barriers -- SBA's Office of International Trade intends to build on its outreach efforts of FY88. In FY89, on October 20th, the SBA will cosponsor, with the Federal Express Corporation -- a past recipient of

SBA's business development assistance -- a National Videoconference downlinked to over 68 sites nationwide; a series of some satellite conferences will follow through on the effects of the Videoconference conducted by SBA's regional and district trade officers.

As mandated in Section 10 of Title VIII of the International Trade and Competitiveness Act of 1988, we plan on conducting a National Seminar on Small Business Exports. We are also planning to lead a medical equipment/health care specific U.S.-Japan Trade Mission in FY89, in cosponsorship with Federal Express, in addition to renewing our cosponsorship of the Department of Commerce's new set of Matchmaker Trade Missions. We will continue to promote use of SBA's Export Revolving Line of Credit program through nationwide training of loan officers, interested small business exporters, and bankers. We intend to increase the number of SCORE volunteers with international experience and to assist SCORE in printing a regional directory of SCORE trade counselors. We will continue to research the international trade state resource directories and to publish all 50. Currently directories for 26 states have been compiled. We also plan a major conference on trade with China and a follow-up trade mission. Additionally, our FY89 plans include continuing projects with AT&T, one of our private sector partners.

The "multiplier" effect of education and outreach through printed materials, conferences, seminars, individual counseling by SCORE and SBDC staff, nationwide events like the Videoconference, and the SBA Export Revolving Line of Credit has begun to build a more export-conscious constituency. We propose to build on our current foundation and to expand our role as the small business community's major advocate for America's new role in international trade.

EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D.C. 20571

November 29, 1988

CABLE ADDRESS "EXIMBANK"
TELEX 89-461

Ms. Diane Worthington
House Subcommittee on Exports,
 Tourism and Special Problems
Committee on Small Business
B-363 Rayburn House Office Building
Washington, DC 20515

Dear Diane:

Enclosed is Eximbank's response to Chairman Sisisky's specific questions concerning our overall assistance to small businesses under our loan program since 1983. If you have any problems understanding the computer runs or any questions concerning the information, please do not hesitate to contact me or Ms. Beverley K. Thompson at 566-8967.

Please remember, however, that Eximbank's largest support to small businesses has been under our guarantee and insurance programs. Of particular note is Eximbank's Working Capital Guarantee Program, which specifically assists small and medium-sized businesses in exporting.

Again, I wish to apologize for the delay in responding to your Chairman's request. However, as Ms. Thompson of my staff has already informed you in order to complete your request, she had to check individually each small business identification with a Dun and Bradstreet Reference Book since our computer data in this area seems to be subject to error.

I hope the information we have provided will be of assistance to your Subcommittee in understanding Eximbank's assistance to small businesses in recent years.

Sincerely,

Francis C Record
Francis C. Record
Congressional Relations Officer

Enclosures

Qestions Submitted to Eximbank at 10/4/88 Hearing by Chairman Norman Sisisky of the House Subcommittee on Exports, Tourism and Special Problems, Committee on Small Business

From 1983 to Present

Question: (a)(1) How many businesses have you assisted with your loan program?

(2) How many of these were small businesses?

(3) How many loans to small businesses were $1 million or less?

(4) How many were $500,000 or less?

(5) How many were $100,000?

Answer: (a) Since 1983 Eximbank's records show that we have assisted at least 822 companies with our various loan programs. Of these identified companies approximately 144 were small businesses. Please note, however, that these numbers reflect the total number of companies Eximbank has assisted either directly or indirectly as subsuppliers under our loan programs. Of these small business numbers, there were approximately 146 transactions for $1 million or less, 119 for $500,000 or less and 67 for $100,000. Prior to 1986, these loans were composed of direct loans, medium-term loans and small business credits. Following our 1986 reauthorization legislation, Eximbank made several significant revisions in our trade finance programs to streamline and simplify their operations. One of the changes was to consolidate all loans by geographic area rather than by program. In this way, any party accessing a loan would just have to contact one loan officer. For your information, I have provided two computer printouts on Eximbank's loan activity to small business since 1983. The first computer run only contains Eximbank's authorizations under our direct loan program. The second computer run contains Eximbank authorizations under our medium-term financing or intermediary loan program and also includes small business credits. Please remember these loans could be either directly to the exporter or indirectly as a subsupplier under a much larger loan. Both runs provide the following information: exporter, state, product, country, authorization date, and authorization amount.

Question: (b) Where are the businesses located: Northeast, West, or the Agricultural States?

Answer: (b) The small businesses that benefited from these Eximbank loans were located in the following states: Alabama, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Massachusetts, Maryland, Minnesota, Missouri, North Carolina, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Wisconsin. Under our direct loan program most of our support to small business has gone to support high-tech equipment and products, which were part of much larger country projects. We did, however, support a few service oriented companies.

Question: (c) Is there any geographical correlation to industrial sectors and what they are exporting? What specific areas are supporting which sectors and products? Is there any market correlation?

Answer: (c) Eximbank's overall assistance in recent years has gone to support more U.S. exports in certain sectors i.e. telecommunications, mining and power projects. Regarding general interpretation and market correlation of the data, I do not think Eximbank can make any real market correlation with the small sampling of exports we have supported in comparison to the overall volume of U.S. export trade. However, of this small business export sampling, I do think it is reflective of the sectors we have supported recently. In addition, by far the greatest amount of Eximbank support went to the markets of Brazil, Indonesia, Israel and Mexico. Most of the support provided to Israel and Mexico was under our medium-term programs. There were, however, several other markets that were also highly visible namely Jordan, India and Algeria. The remaining exports went to the Peoples Republic of China, Argentina, Spain, Egypt and Yugoslavia.

Note: Since Eximbank updated our information system in 1986, any data noted prior to that time is not as complete or accurate.

Direct Loan Program
Only

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11/21/88      SELECT STATE,DUNNO,NAME,KEY,DAUTH,B.PROD,SAMT FROM LG A,SUP_DIRECTORY B,DUNS WHERE KEY<'3' AND DAUTH        PAGE    1

STATE  DUNNO      NAME                               KEY (Country)             DAUTH     PROD
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CA     066138413  CODED COMMUNICATIONS CORP.         2241 Jordan    07509      87/12/17  DIGITAL COMMUNICATION DEVICES
CA     057336570  EDMO DISTRIBUTORS INC.             2511 Brazil    07460      86/09/25  RADAR TEST SET
CA     027925585  HIRSCH-BEDNER & ASSOC              2231 Indonesia 60339      88/04/14  INTERIOR DESIGN
CA     030993067  JAMECO ELECT                       2511 Brazil    07460      86/09/25  MASTER DATABOOK
CA     093456994  KONTRON ELECT, INC                 2229 India     07467      86/09/11  SIGNAL ANALYZERS AND TESTERS
CA     000211342  KURTZ INSTRUMENT, INC              2511 Brazil    07460      86/09/25  PORTABLE WIND METER
CA     054794227  LEAMING INDUS                      2101 Algeria   60496      88/05/19  EQUIPMENT FOR SATELLITE EARTH STATIONS
CA     009523861  PLASTIC VIEW TRANSPARENT SHDS*     2511 Brazil    07333      84/02/07
CA     009523861  PLASTIC VIEW TRANSPARENT SHDS*     2511 Brazil    07333   A  84/02/07
CA     086609252  ROD-L ELECT, INC                   2511 Brazil    07460      86/09/25  ELECTRONIC TEST EQUIPMENT
CA     139705636  SATTEL TECH, INC                   2231 Indonesia 60362      88/04/07  PROJECT COORDINATION, ENGRG SERVICES
CA     055641914  SETCOM CORP                        2241 Jordan    07509      87/12/17  RADIO COMMUNICATIONS DEVICES
CA     008293961  STANCIL CORP                       2511 Brazil    07460   A  86/09/25  FLIGHT RECORDING EQUIPMENT
CO     020157954  TYCHO TECH, INC                    2511 Brazil    07460   A  86/09/25  WIND PROFILE RADAR
CT     004531810  FOOTE DWIGHT INC                   2219 China (M) 07511      88/03/17  MONORAIL CRANE
CT     001455856  OMEGA ENG, INC                     2511 Brazil    07460      86/09/25  DIGITAL THERMOMETER
CT     001172147  T-BAR INC                          2511 Brazil    07460      86/09/25  ENVIRONMENTALLY SEALED SWITCHING RELAY
FL     061437638  BAKER ELECT INC                    2511 Brazil    07460      86/09/25  PILOT AUDIO SYSTEM
FL     004574059  ELECT EQUIPMENT                    2511 Brazil    07460      86/09/25  INCANDESCENT LAMPS & ACCESSORIES
FL     058555525  KIMBALL ELECT LAB                  2511 Brazil    07460      86/09/25  NOISE LEVEL METER
FL     000211409  MICROMART                          2511 Brazil    07460      86/09/25  ELECTRONIC COMPONENTS
FL     119685113  STROMBERG CARLSON                  2505 Barbados  07344      84/07/10
FL     119685113  STROMBERG CARLSON                  2505 Barbados  07344   A  84/07/10
FL     042562322  WOLLARD AIRPORT EQUIP INC          2511 Brazil    07333      84/02/07
FL     042562322  WOLLARD AIRPORT EQUIP INC          2511 Brazil    07333   A  84/02/07
HI     000213066  ALTEC                              2231 Indonesia 60339      88/04/14  PUBLIC ADDRESS SYSTEM
IL     106595937  INTL SUPPLY                        2101 Algeria   60496      88/05/19  STATION EQUIPMENT SHELTERS
IL     172614000  M C L, INC                         2127 Gabon     60504      88/07/07  HIGH POWER AMPLIFIERS
IL     102195625  NOVENCO CO                         2219 China (M) 07511      88/03/17  FANS
IL     114678485  UNIVERSAL OIL PRODUCTS CO          2101 Algeria   60358   A  88/04/14
MA     059717173  M-RAD                              2511 Brazil    07460      86/09/25  ELECTRONIC TEST EQUIPMENT
MA     045593308  VAISALA INC                        2511 Brazil    07460      86/09/25  DIGITAL HUMIDITY & TEMPERATURE INDICATOR
MD     046729562  PACE, INC                          2511 Brazil    07460      86/09/25  BENCH TOP REPAIR SYSTEM
MD     064865165  SOLAREX CORP                       2101 Algeria   60496      88/05/19  SOLAR CELL PANELS
MN     006249312  MAGNETIC CONTROLS CO               2127 Gabon     07465      86/09/30  DISTRIBUTION FRAMES
MN     172719437  MC QUAY GROUP                      2231 Indonesia 60339      88/04/14  AIR CONDITIONING EQUIPMENT
MN     066541194  TWIN CITY FAN & BLOWER CO          2231 Indonesia 60339      88/04/14  FAN (CENTRIFUGAL)
MO     094392040  ELECTROVERT U.S.A. CORP            2229 India     07467      86/09/11  SOLDER MACHINES
NC     089986319  NATL GYPSUM CO                     2231 Indonesia 60339      88/04/14  GYPSUM BOARD
NH     052018811  FLASH TECHN OF AMERICA             2511 Brazil    07460      86/09/25  FLASH TUBE
NJ     101695120  CELWAVE RF INC                     2241 Jordan    07509      87/12/17  UHF RADIO EQUIPMENT
NJ     101695120  CELWAVE RF INC                     2127 Gabon     07465      86/09/30  ANTENNAS
NJ     045503505  LSI AVIONIC SYS CORP               2511 Brazil    07460      86/09/25  AUTO OBS.
NJ     107583452  RURAL COMMUNICATIONS CORP          2101 Algeria   60496      88/05/19  EQUIPMENT FOR SATELLITE EARTH STATIONS
NY     000211011  C-E AIR PREHEATER                  2219 China (M) 07511      88/03/17  AIR HEATERS & COAL PULVERIZERS
NY     002041556  R F I COR                          2511 Brazil    07460      86/09/25  FILTER
OH     040821316  INDUS DATA TECH                    2511 Brazil    07439      86/04/15  GRAPHIC DISPLAY TERMINALS & RELATED INTERFACE EQUP
OH     027738772  KIDDE AUTOMATED SYS                2231 Indonesia 60339      88/04/14  AUTOMATIC FIRE ALARM
OH     043463355  OHIO CRANKSHAFT DIV.               2501 Argentina 60030      88/04/14  CRANKSHAFTS
OH     048421341  REUTER-STOKES INSTRUMENTS INC      2231 Indonesia 07404      85/04/24  RADIATION MONITORS
OH     029520855  STOCK EQUIP CO                     2219 China (M) 07511      88/03/17  COAL FEEDERS
OH     038947438  TECHNICARE CORP                    2511 Brazil    07424   A  85/09/05  X-RAY EQUIPMENT
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11/21/88      SELECT STATE,DUNNO,NAME,KEY,DAUTH,B.PROD,SAMT FROM LG A,SUP_DIRECTORY B,DUNS WHERE KEY<'3' AND DAUTH        PAGE    2

STATE  DUNNO      NAME                              KEY                    DAUTH     PROD
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OH     038947438  TECHNICARE CORP                   2511 Brazil     07424  85/09/05  X-RAY EQUIPMENT
PA     148414600  C & D POWER SYS                   2241 Jordan     07509  87/12/17  BATTERIES & CHARGERS
PA     059038646  COMPUTER PERIPHERALS INC          2229 India      07467  86/09/11  TAPE DRIVES AND PRINTERS
SC     157503244  NATL ELECT CARBON CORP            2501 Argentina  60030  88/04/14  BRUSHES
TN     106203185  CTI PET SYS INC                   2231 Indonesia  07404  85/04/24  CYCLOTRON
TX     128491230  ELECTROSPACE SYS INC              2127 Gabon      60504  88/07/07  TRACKING SYSTEM
TX     008076283  PORTA-KAMP MANF CO                2193 Egypt      07323  84/01/24
VA     000211193  VIRGINIA FIBERGLASS PROD, INC     2241 Jordan     07509  87/12/17  FIBERGLASS EQUIPMENT SHELTERS
WI     006089593  YOUNG RADIATOR CO.                2501 Argentina  60030  88/06/14  RADIATORS
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Medium-Term, Inter-mediary Loan + Small Business Credits

Pt. 1

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11/21/88      SELECT STATE,DUNNO,A.NAME,KEY,B.NAME,B.CITY,SAMT FROM LG,SUP_DIRECTORY,DUNS A, BUYERS B WHERE KEY>'6        PAGE   1

                                                                                                                Supplier Amount
State NAME (Supplier)                      KEY                        NAME                                 CITY                   SAMT
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AL    DAVIS INTL INC                       6901   042500007DS        COOP ASSOC FOR ANIMAL PROD HEMEN      N/A                1,630,000.00
AL    DAVIS INTL INC                       6901   042500004DS        AFOLABI & SONS TRADING CO LTD         LAGOS, Nigeria             0.00
AL    G & G STEEL INC                      6901   042500004DS        AFOLABI & SONS TRADING CO LTD         LAGOS, Nigeria       364,500.00
AL    G & G STEEL INC                      6901   042500005DS        TEJU INDUSTRIES                       LAGOS, Nigeria       450,000.00
AZ    PHOTOMETRICS LTD*                    6901   062800046DS        TEL AVIV UNIVERSITY IMPORT DEPT       TEL AVIV, Israel      70,176.00
AZ    THREE PHOENIX CO                     6901   039900192DS        DATA PROCESSING ACCESS                TEL AVIV, Israel     196,565.00
CA    ASTROPHYSICS RESEARCH CORP           6901   062800057DS        MINST OF COMMUNICATIONS               TEL AVIV, Israel     218,677.47
CA    BERKLEONICS INC                      6901   062830112ED        TADIRAN LTD                           GIVATAUYIM, Israel   700,000.00
CA    CONTROL COMPONENTS INC               6901   065630018ED        COMISION FEDERAL DE ELECT             MEXICO CITY, Mexico  562,290.00
CA    KREBS ENG                            6901   039932003DS        NEGEV PHOSPHATE LTE                   BEER SHEVA, Israel   204,000.00
CA    MARK INDUS                           6901   039900213DS        TUAM SUPPLY (FOR KIBBUTZ MAAGAN)      TEL AVIV, Israel     102,272.00
CA    NUCLEONICS DEVLP CO                  6901   039932011DS        VARIOUS ISRAEL BUYERS                 N/K                   79,400.00
CA    RACAL-DANA INSTRUMENTS INC           6237   664460040FD        TADIRAN ISRAEL ELECTRONICS INDST      TEL AVIV, Israel      59,685.00
CA    RAMTEK CORP                          6901   039932015DS        TADIRAN LTD                           GIVATAUYIM, Israel   120,000.00
CA    ROSEMOUNT ANALYTICAL (UNILOC)        6547   662860604FD        COMISION FEDERAL DE ELECT             MEXICO CITY Mexico   316,133.00
CA    SMITH INTL, INC                      6901   000630038ED        SONATRACH                             ALGIERS, Algeria   2,000,000.00
CA    SMITH INTL, INC                      6901   027960526FD        ENT NAT TRAVAUX AUX PUITS-ENTP        ALGIERS, Algeria   1,240,970.00
CA    VALID LOGIC SYS, INC                 6237   680560127FD        LARGO E.F.I., LTD                     TEL AVIV, Israel           0.00
CA    WEST COAST RUBBER MACH*              6901   062832008DS        SEFOLAM LTD                           UK                   646,000.00
CA    3 H INDUSTRIES*                      6901   062830090ED        TADIRAN LTD                           GIVATAUYIM, Israel   167,640.25
CO    PARTICLE MEASURING SYS, INC          6901   039900236DS        MEKOROTH WATER CO LTD                 TEL AVIV, Israel      57,250.00
CT    FUROX CORP                           6901   062832001DS        WEIZMAN INSTITUTE OF SCIENCE          REHOVOT, Israel       36,728.00
CT    GERBER GARMENT TECH                  6901   019731015ED        DIVA HIRSCKTHAL LTD                   TEL AVIV, Israel      76,900.00
CT    UNHOLTZ-DICKIE CORP                  6901   019300043DU        ISRAEL AIRCRAFT INDUSTRIES LTD        LOD AIRPORT, Israel  244,716.70
FL    MEIRELES TRUCK SALES, INC            6901   043100027DS        CONST CARUPANO CA                     CARUPANO, Venezuela        0.00
FL    PIPER AIRCRAFT CORP                  6901   073030002ED        LEASCO EQUIPMENT LEASING CO LTD       TEL AVIV, Israel     370,000.00
GA    KIRK & RUDY, INC                     6901   062831018ED        T.D.M. INTEGRATED                     RAMAT GAN, Israel          0.00
IA    CURBMASTER INC                       6901   004960290FD        GARTELLONE, JOSE CONST CIVILES SA     MENDOZA, Spain       239,193.00
IA    PECH, GUS MANF CO INC                6101   668760602FD        BANQUE DE DEVLP LOCALE                ALGIERS, Algeria     318,096.00
IL    AM INTL                              6237   689360389FD        MILTA BOOKS LTD                       JERUSALEM, Israel     29,305.00
IL    CHAMPION MACH CO                     6901   039932020DS        AMERICAN COOKIES (ISRAEL) LTD         NETANYA, Israel       75,000.00
IL    EXTEL CORP                           6901   062832005DS        BEZEQ ISRAEL TELECOM CO LTD           TEL AVIV, Israel     110,175.00
IL    G & W ELECT CO                       6901   065660113FD        COMISION FEDERAL DE ELECT             MEXICO CITY, Mexico        0.00
IL    KRESS CORP                           6901   000130002ED        PURNA BAJA HECKETT PT                 NA                   500,000.00
IL    RINKY DINK SYS INC                   6901   039900180DS        TADIRAN LTD                           GIVATAUYIM, Israel         0.00
IL    RINKY DINK SYS INC                   6901   062800060DS        TADIRAN LTD                           GIVATAUYIM, Israel   582,000.00
IL    ROTEC INDUS, INC                     6901   017131011ED        HIDROGRADNJA - GIK                    SARAJEVO, Yugoslavia 2,800,000.00
IL    SPEEDFAM CORP                        6901   039932014DS        RAMI REFRACTORIES SPEC INC            AKKO 24103, Israel    74,037.00
IL    T C MANF CO, INC                     6901   073000003DS        MEKOROTH WATER CO LTD                 TEL AVIV, Israel     700,176.47
KS    CUTLER REPAVING INC                  6901   000560044FD        DIR PROV VIALIDAD PROV SANTA FE       SANTA FE, Spain    1,487,750.00
LA    OCEAN WORKOVER INTL, LTD             6901   079160312FD        ENT NATL DE SERVICE AUX PUITS         ALGIERS, Algeria   1,072,198.00
MA    BERGEN-PATERSON PIPESUPPORT*         6901   065600007DS        COMISION FEDERAL DE ELECT             MEXICO CITY, Mexico  783,424.08
MA    BERGEN-PATERSON PIPESUPPORT*         6901   065600006DS        COMISION FEDERAL DE ELECT             MEXICO CITY, Mexico1,584,821.50
MA    BOSTON SYSTEMATIC INC                6901   062830065ED        ELCO ISREAL ELECTRO MECHANICAL        RAMAT-GAN, Israel          0.00
MA    BOSTON SYSTEMATIC INC                6901   062830102ED        TADIRAN LTD                           GIVATAUYIM, Israel         0.00
MA    BOSTON SYSTEMATIC INC                6237   664460321FD        ISRAEL ELECTRIC CORP LTD              HAIFA, Israel        226,550.00
MA    BOSTON SYSTEMATIC INC                6901   062830020ED        TADIRAN ISRAEL ELECTRONICS INDST      TEL AVIV, Israel           0.00
MA    BOSTON SYSTEMATIC INC                6901   062830039ED        AUREC LTD                             RAMAT GAN, Israel          0.00
MA    BOSTON SYSTEMATIC INC                6901   062830052ED        HEBREW UNIVER-HADASSAH MEDICAL S      JERUSALM, Israel           0.00
MA    BOSTON SYSTEMATIC INC                6901   039930099ED        CTRL BOTTLING CO LTD                  BNEI BRAK, Israel          0.00
MA    BOSTON SYSTEMATIC INC                6901   039930064ED        MAMAN-CARGO TERMINAL                  N/K                        0.00
MD    KEMP, C.M. MANF CO                   6901   058600016DS        KOFFOLK LTD                           TEL AVIV, Israel      82,195.00
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11/21/88     SELECT STATE,DUNNO,A.NAME,KEY,B.NAME,B.CITY,SAMT FROM LG,SUP_DIRECTORY,DUNS A, BUYERS B WHERE KEY>'6     PAGE   2

   NAME                              KEY                 NAME                                CITY                     SAMT
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MD SOLAREX CORP                      6901  039830001ED   CIVIL AVIATION ORGANIZATN EGYPT     CAIRO, Egypt          1,204,426.00
MD WARD MACHINERY COMPANY INC THE    6237  664460028FD   PLARO CONTAINERS INDUS              HOCON, Israel                 0.00
MD WARD MACHINERY COMPANY INC THE    6237  664460028FD   PLARO CONTAINERS INDUS              HOCON, Israel           809,114.00
MN LEVANT INDUS DEVLP CO, INC        6901  000560360FD   ENT NATIONALE HYDRO FORAGE          ALGIERS, Algeria        653,393.00
MN LEVANT INDUS DEVLP CO, INC        6901  000560223FD   ENT NATIONALE HYDRO FORAGE          ALGIERS, Algeria        359,005.00
MN SNYDER GENL CORP-CLIMATE CONTR    6901  039930094ED   HEROUTH LTD                         TEL AVIV, Israel        225,000.00
MS GULF STATES MANF, INC             6901  062800041DS   DRUCKER ZACHARIA CIVIL WKS CO LT    HAIFA, Israel           219,244.00
NJ ATLAS INDUS MFG CO*               6901  062800042DS   ORMAT TURBINE LTD                   YAVNE, Israel           130,600.00
NJ COMSIP CUSTOMLINE CORP            6547  662860740FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     335,481.00
NJ COMSIP CUSTOMLINE CORP            6547  662860651FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     305,003.00
NJ COMSIP CUSTOMLINE CORP            6901  065632002DS   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     302,786.00
NJ COMSIP CUSTOMLINE CORP            6901  065632003DS   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     294,267.00
NJ CROSSLEY MACH CO*                 6901  039900200DS   RAMI REFRACTORIES SPEC INC          AKKO 24103, Israel      240,000.00
NJ GARCIA ENT CORP                   6547  662860499FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     376,766.00
NJ PERRY PRODUCTS CORP               6901  073032001DS   KOFFOLK LTD                         TEL AVIV, Israel.        65,000.00
NY A A R THECHNICAL SERV CTR         6901  065660116FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     106,822.00
NY LAPP INSULATOR CO                 6901  065660540FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico   3,744,756.00
NY LAPP INSULATOR CO                 6547  662860540FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico   3,744,756.00
NY PRODUCTION PACKAGING EQUIP INC    6901  062830100ED   TADIRAN LTD                         GIVATAUYIM, Israel       61,000.00
NY ROMO COMPUTERS INC                6901  039932001DS   HITYPE LTD                          JERUSALEM, Israel       804,600.00
NY SAZ TRANSPORTATION CORP           6547  662860505FD   ENDASA, S.A. DE C.V.                MEXICO CITY, Mexico     368,333.00
NY SCHENECTADY TURBINE SERVICES *    6901  065631003ED   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico   1,279,357.20
NY SCHENECTADY TURBINE SERVICES *    6901  065631011ED   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     732,021.00
NY SCHENECTADY TURBINE SERVICES *    6901  065660152FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico   1,021,222.00
NY THERM INC                         6901  065660117FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     577,172.00
OH AMERICAN LAUNDRY MACH             6237  664460027FD   SIGRED LTD                          TEL AVIV, Israel         25,475.00
OH ANDERSON INTL CORP                6901  005400082DS   FAB DE JABON LA CORONA SA           XALOSTOS, Mexico        574,286.00
OH AUTOMATED PACKAGING SYS           6901  062830100ED   TADIRAN LTD                         GIVATAUYIM, Israel            0.00
OH FRENCH OIL W H                    6901  005400081DS   FAB DE JABON LA CORONA SA           XALOSTOS, Mexico              0.00
OH GRADALL CO, THE                   6901  000530015ED   RO REK BITOLA                       SUVODOL, Yugoslavia     900,000.00
OH HALL INDUS INC                    6237  664460611FD   SHEFER LATEX INDUS LTD              TEL AVIV, Israel        897,000.00
OH OXYTECH SYS                       6901  000660471FD   CHINA SOUTHWEST LEASING CO LTD      CHENSON, China        2,717,000.00
OH SEWER RODDING EQUIP CO            6901  003200129DS   GENL ORG FOR SEWAGE                 N/A                     400,000.00
OH STEIN INC                         6237  664460069FD   TECHEN ENTERPRISES INC              TEL AVIV, Israel        304,661.00
OK CENTRIFUGAL CASTING MCH CO*       6901  039900220DS   URDAN INDUS LTD                     TEL AVIV, Israel        185,000.00
OK EAGLE MFG                         6901  019700048DS   FRIEDMAN AND HERSHKOVITZ LTD        HARIFA, Israel           35,338.70
OR GEM EQUIP OF OREGON, INC          6901  062800043DS   SUN FROST LTD                       ASHDOD, Israel          204,700.00
OR GEM EQUIP OF OREGON, INC          6901  019700037DS   SUN FROST LTD                       ASHDOD, Israel           72,324.00
PA FES INC                           6901  039900225DS   OFF-JERUSALEM HAR TUV DOAR NM       SHIMSHON, Israel        235,000.00
PA FES INC                           6901  039900177DS   TECHEN ENTERPRISES INC              TEL AVIV, Israel        289,000.00
PA FES INC                           6901  062830094ED   GALILEE FRUITS LTD                  ISRAEL                  547,560.00
PA MBB HELICOPTER CORP               6901  018230001ED   NAC FINANCIERA SA-NAFINSA           MEXICO CITY, Mexico   6,564,036.00
PA QUAD SYS CO                       6237  664460450FD   ROKONET ELECTRONICS 1988, LTD       TEL AVIV, Israel         75,356.00
PA UNITED ENG, INC                   6547  662860596FD   ALTOS HORNOS DE MEXICO SA           MEXICO CITY, Mexico   3,717,298.00
TN DREDGEMEN MFG CO                  6901  065660120FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     606,423.00
TX AMERICAN FITTINGS CORP            6101  668760594FD   SONATRACH                           ALGIERS, Algeria      2,731,347.00
TX ATLANTIC EXPORT IMPORT CO         6547  662860724FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     713,757.00
TX ATLANTIC EXPORT IMPORT CO         6547  662860664FD   COMISION FEDERAL DE ELECT           MEXICO CITY "           599,575.00
TX COGNISEIS DEVELOPMENT INC-CSD     6901  017060415FD   YACIMIENTOS PEROLIFEROS FISCALE     BUENOS AIRE, argentina   ,534,886.00
TX PRECO MACH SALES, INC             6901  065660281FD   COMISION FEDERAL DE ELECT           MEXICO CITY, Mexico     830,371.00
TX PRECO TURBINE SERVICE, INC        6901  065660493FD   COMISION FEDERAL DE ELECT           MEXICO CITY "           213,645.00
TX SCHEIN CO INC                     6901  065660087FD   COMISION FEDERAL DE ELECT           MEXICO CITY "           834,564.00
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11/21/88      SELECT STATE,DUNNO,A.NAME,KEY,B.NAME,B.CITY,SAMT FROM LG,SUP_DIRECTORY,DUNS A, BUYERS B WHERE KEY>'6        PAGE    3

   NAME                             KEY                     NAME                               CITY
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                                                                                                                      SAMT
VA GARDNER DENVER MINING & CONST    6901    065360066FD     INDUS MINERA MEXICO-IMMSA          MEXICO CITY "       155,813.00
VA GARDNER DENVER MINING & CONST    6901    065360065FD     MINERALES METALICOS NORTE SA       MEXICO CITY "        83,534.00
VA INTECH SYS, INC                  6901    062800049DS     ASHOT ASHKELON INDUS LTD           ASHKELON, Israel     52,812.50
[redacted] A B DATA LTD             6901    062831018ED     T.D.M. INTEGRATED                  RAMAT GAN, Israel         0.00
WI BULENS CORP                      6901    019700031DS     ISRAEL BANK OF AGRICULTURE         TEL AVIV, Israel    235,294.11
WI GENL ELECT CO - MEDICAL GROUP    6901    065660309FD     RESONACIA MAGNETICA CLINICA LONDR  MEXICO CITY, Mexico       0.00
WI GENL ELECT CO - MEDICAL GROUP    6901    004760309FD     RESONACIA MAGNETICA CLINICA LONDR  MEXICO CITY, Mexico       0.00
WI MARINE TRAVELIFT                 6901    000660537FD     ENT NATL CONST RAPA BATEAUX PECHE  ALGIERS, Algeria    661,539.00
WI MATTSON INSTRUMENTS, INC         6901    062832007DS     IRAD TECHNOLOGIES LTD              JERUSALEM, Israel    53,000.00
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* Products that were exported by [redacted]

* If a company is not listed, [redacted] was exported had not been identified in our record [redacted]

Medium Term, Intermediate
Loans & Small Business
Credits
pg. 1 of 1

11/21/88 SELECT STATE,DUNNO,NAME,KEY,OAUTH,SI [redacted] SIC_TABLE WHERE KEY>'6' A PAGE 1

State	NAME (Supplier)	KEY	[redacted]	[redacted]	(Product) [redacted]	Supplier Amount SAMT
AL	DAVIS INTL INC	6901	[redacted]	[redacted]	[redacted]	3,670,000.00
AL	G & G STEEL INC	6901	[redacted]	[redacted]	[redacted]	650,000.00
AL	G & G STEEL INC	6901	[redacted]	[redacted]	[redacted]	304,500.00
AZ	PHOTOMETRICS LTD*	6901	[redacted]	[redacted]	[redacted]	70,176.00
AZ	THREE PHOENIX CO	6901	[redacted]	[redacted]	[redacted]	196,565.00
CA	BERKLEONICS INC	6901	[redacted]	[redacted]	[redacted]	700,000.00
CA	CONTROL COMPONENTS INC	6901	[redacted]	[redacted]	[redacted]	562,290.00
CA	KREBS ENG	6901	[redacted]	[redacted]	[redacted]	206,000.00
CA	MARK INDUS	6901	[redacted]	[redacted]	[redacted]	172,272.00
CA	NUCLEONICS DEVLP CO	6901	[redacted]	[redacted]	[redacted]	79,670.00
CA	SMITH INTL, INC	6901	[redacted]	[redacted]	[redacted]	2,500,000.00
CA	WEST COAST RUBBER MACH*	6901	[redacted]	[redacted]	[redacted]	866,220.00
CT	GERBER GARMENT TECH	6901	[redacted]	[redacted]	[redacted]	76,900.00
CT	UNHOLTZ-DICKIE CORP	6901	[redacted]	[redacted]	[redacted]	266,716.70
FL	PIPER AIRCRAFT CORP	6901	[redacted]	[redacted]	[redacted]	370,772.00
GA	KIRK & RUDY, INC	6901	[redacted]	[redacted]	[redacted]	0.00
IL	EXTEL CORP	6901	[redacted]	[redacted]	[redacted]	110,176.00
IL	KRESS CORP	6901	[redacted]	[redacted]	[redacted]	577,997.00
IL	RINKY DINK SYS INC	6901	[redacted]	[redacted]	[redacted]	582,700.00
IL	RUTEC INDUS, INC	6901	[redacted]	[redacted]	[redacted]	2,800,000.00
IL	SPEEDFAM CORP	6901	[redacted]	[redacted]	[redacted]	76,717.00
IL	T C MANF CO, INC	6901	[redacted]	[redacted]	[redacted]	200,176.47
MA	BERGEN-PATERSON PIPESUPPORT*	6901	[redacted]	[redacted]	[redacted]	1,784,871.90
MA	BERGEN-PATERSON PIPESUPPORT*	6901	[redacted]	[redacted]	[redacted]	783,626.08
MD	KEMP, C.M. MANF CO	6901	[redacted]	[redacted]	[redacted]	82,195.00
MD	SOLAREX CORP	6901	[redacted]	[redacted]	[redacted]	3,706,676.00
MN	SNYDER GENL CORP-CLIMATE CONTR	6901	[redacted]	[redacted]	[redacted]	225,270.00
MS	GULF STATES MANF, INC	6901	[redacted]	[redacted]	[redacted]	219,266.00
NJ	ATLAS INDUS MFG CO*	6901	[redacted]	[redacted]	[redacted]	3,131,000.00
NJ	ATLAS INDUS MFG CO*	6901	[redacted]	[redacted]	[redacted]	137,670.00
NJ	COMSIP CUSTOMLINE CORP	6901	[redacted]	[redacted]	[redacted]	296,267.00
NJ	COMSIP CUSTOMLINE CORP	6901	[redacted]	[redacted]	[redacted]	302,796.00
NJ	PERRY PRODUCTS CORP	6901	[redacted]	[redacted]	[redacted]	65,720.72
NY	PRODUCTION PACKAGING EQUIP INC	6901	[redacted]	[redacted]	[redacted]	61,000.00
NY	SCHENECTADY TURBINE SERVICES *	6901	[redacted]	[redacted]	[redacted]	732,021.00
OH	AMERICAN LAUNDRY MACH	6237	[redacted]	[redacted]	[redacted]	25,676.77
OH	GRADALL CO, THE	6901	[redacted]	[redacted]	[redacted]	500,000.00
OH	SEWER RODDING EQUIP CO	6901	[redacted]	[redacted]	[redacted]	470,000.00
OK	CENTRIFUGAL CASTING MCH CO*	6901	[redacted]	[redacted]	[redacted]	186,770.00
OK	EAGLE MFG	6901	[redacted]	[redacted]	[redacted]	36,338.70
PA	FES INC	6901	[redacted]	[redacted]	[redacted]	235,000.00
PA	FES INC	6901	[redacted]	[redacted]	[redacted]	289,770.00
PA	MBB HELICOPTER CORP	6901	[redacted]	[redacted]	[redacted]	6,566,036.00
VA	INTECH SYS, INC	6901	[redacted]	[redacted]	[redacted]	73,817.50
WA	A B DATA LTD	6901	[redacted]	[redacted]	[redacted]	7.02
WI	BOLENS CORP	6901	[redacted]	[redacted]	[redacted]	255,706.31

91-715 (112)